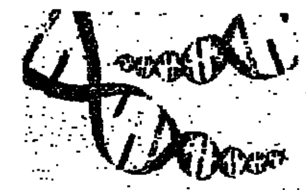
FINANCIAL TIMES

Luxury cars
The high cost of buying into Europe
Page 17

Steel manufacture
Goodbye to the blast furnace
Page 11



Genetic research
Detecting criminal behaviour
Page 7

Little Englanders
Conservatives split asunder
Joe Rogaly, Page 14

World Business Newspaper TUESDAY FEBRUARY 14 1995

UK output price rises stir concern over interest rate

British manufacturers pushed up prices more sharply than expected last month in response to the biggest annual increase in their fuel and raw material costs for 10 years, official figures showed yesterday.

The figures stirred fears among City of London economists of another rise in UK interest rates, in order to keep inflation under control. Page 16; Bonds, Page 24; London stocks, Page 30

France seeks film curb for US exports: France will today launch a fresh offensive against US television and film exporters by seeking to impose strict content quotas on broadcasters to protect indigenous EU film and television industries. Page 16; TV advertising ban upheld, Page 10

Commission cut shocks US travel agents: Three of the four biggest US airlines have shocked the country's travel agency industry by curbing the automatic 10 per cent commission paid to agents on every ticket sold. Page 16 and Lex

Herzog seeks reconciliation over Dresden

Germany's president Roman Herzog (left) said ceremonies marking the 50th anniversary of the destruction of Dresden by British and American bombing were not intended to indict anyone "or indulge in self-accusation". Sidestepping the issue of whether the bombings, which left some 35,000 dead, were "legitimate in a legal sense", Herzog said it was impossible for those seeking reconciliation today to "strike a balance between the dead, the injured and those who suffered distress in the various nations" in the second world war. Germany's lost DM65bn, Page 3

Boesak pulls out of UN posting: Allan Boesak, accused of misappropriating Scandinavian charitable funds intended for apartheid victims, withdrew as South Africa's ambassador-designate to the United Nations in Geneva. He denied any wrongdoing. Page 6

Theatre chief murdered: Azzedine Medjoubi, 48-year-old head of Algeria's national theatre, was shot dead by gunmen outside the theatre in Algiers. He is the latest in a number of leading intellectuals believed to be victims of the bitter Moslem fundamentalist conflict.

Credit union blames ex-officials: Tokyo Kyowa Credit Union, bailed out by the authorities in December, alleged that illegal transactions by former officials had caused its financial problems. Page 5

Meningitis outbreak: An outbreak of meningitis in two villages in south-eastern Nigeria has killed 258 people, according to the state-owned News Agency of Nigeria.

Pechiney, state-owned French packaging and metals group, reported a surprise FFr3.5bn ($660m) loss for 1994, largely the result of depreciation of goodwill for the purchase of American National Can in 1988. Page 17

Weaponry agreement in Chechnya: Russian and Chechen commanders agreed to stop using heavy weapons in the Chechnya conflict. Page 3

Gingrich rules out presidential bid: Newt Gingrich, speaker of the US Congress, denied he will run for the presidency next year. Page 4

Misys, computer software group, plans to acquire UK rival, ACT, in an agreed £212m ($329m) cash-and-shares deal which will create the second-largest computer software products group in Europe. Page 17; Costs put premium on size and Lex, Page 22

Saab Automobile of Sweden made its first full-year profit since General Motors of the US took control in 1989. Page 17

War crimes alleged: The United Nations criminal tribunal for former Yugoslavia charged 21 Serbs with crimes against humanity at the Omarska prison camp in Serb-controlled Bosnia. Page 2

HK exchange drops self-regulation plans: The Hong Kong stock exchange abandoned plans, first mooted last March, for greater self-regulation among market practitioners. Page 21; Push to bridge gap in Taiwan-HK air talks, Page 5

Hungary devalues: Hungary devalued the forint 2 per cent from a domestic standpoint from today. The National Bank of Hungary did not elaborate. The dollar closed near 113.80 forints.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,950.85	(+11.78)
NASDAQ Composite	791.80	(+1.37)
Europe and Far East		
CAC40	1850.31	(-19.09)
DAX	2,116.95	(-13.20)
FT-SE 100	3,081.1	(-28.8)
Nikkei	18313.86	(+22.51)

US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.943%
Long Bond	99 3/8
Yield	7.673%

OTHER RATES

UK: 3-mo Interbank	6 13/32%	(Same)
UK: 10 yr Gilt	98 17/32	(99 3/32)
France: 10 yr OAT	96.28	(96.70)
Germany: 10 yr Bund	99.35	(99.74)
Japan: 10 yr JGB	96.707	(96.887)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.625	(18.63)

GOLD

New York Comex		
Apr	377.8	(378.4)
London:		
close	$374.6	(376.6)

DOLLAR

New York lunchtime		
£	1.5645	
DM	1.5205	
FFr	5.267	
SFr	1.2845	
Y	98.625	
London:		
£	1.5636	(1.5608)
DM	1.5184	(1.5241)
FFr	5.261	(5.2763)
SFr	1.2818	(1.2871)
Y	98.57	(98.295)

STERLING

DM	2.3741	(2.3788)
Tokyo close:	Y 98.87	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60
Cyprus	CC1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

Warburg crisis as chief quits

Lord Cairns leaves UK investment bank in wake of failed merger with Morgan Stanley

By John Gapper, Banking Editor, in London

The crisis at S.G. Warburg, the UK investment bank, yesterday deepened with the resignation of Lord Cairns, its chief executive, and his replacement by Sir David Scholey, its chairman, who was due to step down in June.

Lord Cairns offered his resignation to Sir David over the weekend after losing the support of many of Warburg's 5,300 staff. This followed his failed attempt to lead it into a merger with the US investment bank Morgan Stanley.

Warburg shares at first dropped sharply on the news, but then swung back on renewed speculation that Warburg had been so weakened that it would be taken over by a large European bank such as HSBC Holdings, or Dresdner Bank.

Warburg has suffered several setbacks since its merger talks collapsed in December. Last week, Mr Maurice Thompson and Mr Michael Cohrs, the co-heads of equity syndication, resigned to join Morgan Grenfell, the investment bank.

Sir David denied speculation that Lord Cairns was forced by other directors to relinquish control. He said Lord Cairns had told him on Saturday morning of his decision after the "ground was cut from under him" by the collapse of the merger.

"I did not say to him 'You have got it wrong'. He is a big enough man to decide these things for himself," said Sir David, who was chief executive of Warburg before Lord Cairns, leading it through a period of growth in the 1980s.

Sir David said he intended to stay on as chief executive for an unspecified period to restore stability and profits at the bank. He said this would involve retrenching in some areas of low margins, and investing in more profitable ones.

He said he had asked Lord Cairns, who started his career at Warburg as a corporate finance specialist, to stay on in that role. However, Lord Cairns had declined and had chosen to sever all connections with the bank.

Warburg executives indicated that the investment bank would review equity sales operations, which have suffered declining margins. The firm is likely to put more investment into more complex transactions involving financial derivatives.

Sir David said that Warburg had kept the Bank of England and its shareholders informed of developments, and insisted that the investment bank could remain independent provided that it managed to restore its profitability.

Warburg's board decided to appoint Sir David at the helm of an executive committee of younger directors at a five-hour meeting on Sunday. It appointed Mr Brandon Gough, the former chairman of accountants Coopers & Lybrand, as deputy chairman.

The committee will comprise Mr Michael Sargent, the firm's head of securities, Mr Mark Nicholls, co-head of corporate finance, Mr Edward Chandler, who is responsible for the Nordic region, and Mr Colin Buchan, who heads UK equities.

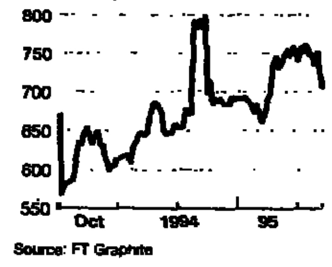
Sir David said the bank would eventually appoint a chief executive to follow him, "and it would be good if it was from inside".

However, analysts believe Warburg is more likely to recruit its

Continued on Page 16
Fallen on his own sword, Page 15
Editorial Comment, Page 15
London stocks, Page 30

SG Warburg

Share price (pence)



Source: FT Graphite

Salomon to shed 115 jobs in private broking

By Tony Jackson in New York

Salomon, the US investment banking house, is to pull out of private-client broking with the loss of 115 jobs.

The move is the first stage in a general retrenchment by the firm, following heavy losses last year. Further job losses are likely to be announced in the next few weeks, bringing the total to more than 500.

Mr Deryck Maughan, chairman, said the firm's private investment department, which advises wealthy individuals, was being closed "in order to concentrate our resources on our core advisory, underwriting and trading business".

Salomon said the closure would not effect on its asset management business, which handles institutional funds totalling $12bn.

The move forms part of a wave of cuts by Wall Street firms, hit by market turbulence over the past year and in particular by the sharp fall in world bond markets. Earlier this month Salomon reported a pre-tax loss for 1994 of $770m, due largely to poor trading but also to write-offs of $217m caused by book-keeping errors.

A source close to Salomon said the firm, which entered private-client broking in the late 1980s, had got in "too late and too small". The dominant force in the market is Merrill Lynch, though other brokers such as Goldman Sachs and Morgan Stanley also advise clients.

Salomon said: "We are examining all our business lines to get an idea of their potential, and sizing them to current market conditions. Everything we do is being looked at."

Salomon said the division would close at the end of April, and that some of the employees, including the two heads of the department, Mr Bill Heyman and Mr Rich Sachs, would find jobs elsewhere in the firm.

The recession in the industry, widely regarded as the most severe since the 1970s, is expected to claim further casualties.

The Salomon job cuts had been expected by Wall Street, and the firm's shares were down $½ to $36½ in the early afternoon.

Balladur backs single currency in campaign launch

By David Buchan in Paris

Mr Edouard Balladur, the French prime minister, promised yesterday to prepare France for European monetary union "if possible by 1997" as he officially launched his presidential campaign.

In his bid to succeed President François Mitterrand in May, Mr Balladur said monetary union at the earliest date possible was a pragmatic goal and that the economic discipline required by Emu of participating countries was "in the interests of France".

Mr Balladur launched a deliberately pro-European campaign, describing his presidential programme motto as "equality of opportunity, liberty and Europe", and pledging to move his economic and political reforms "into higher gear".

His renewed push for faster Emu contrasts starkly with recent caution about a single currency being expressed by the German Bundesbank and the political infighting over the issue in Britain's ruling Conservative party.

Launching a broadside of detailed proposals at his rivals, Mr Balladur, who is the opinion poll favourite for the May election, vowed to do better in tackling France's record unemployment. He also said he would like to shorten the presidency to a single seven-year term and put more decisions to referendums.

He said it was for France, with its "pivotal" relationship with Germany, to play "a driving role" in Europe, in terms of forging greater defence co-operation as well as advancing to monetary union.

But he promised that, if elected president, he would propose to France's European Union partners at next year's constitutional conference "a pragmatic approach allowing some states to move further and faster in inter-government co-operation without excluding those temporarily left aside".

Reacting to Mr Balladur's campaign slogan of "Believing in France", the opposition Socialist party said voters would have to be "pretty credulous" to believe in his pledges, suggesting that his 22 months as prime minister had left France a less equal and just society.

A spokesman for Mr Jacques Chirac, who is Mr Balladur's fellow Gaullist and main rival on the right, said the programme fell well short of the "presidential project" that France needed.

Mr Balladur stressed the importance for France of being in the first wave of countries eligible for Emu, not because of "some myth about Europe" but because the necessary fiscal discipline is "in the interest of the French people" and would also help create the right conditions for growth and job creation. Narrowing the budget deficit sufficiently by 1997 could be done by cutting spending and relying on growth to bring in extra tax revenue, he suggested.

Balladur declares war on nation's deficits, Page 2
Editorial Comment, Page 15

Edouard Balladur launched his presidential campaign with the slogan 'Believing in France' Picture: EPA

Claims on confiscated E German property rejected

By Judy Dempsey in Dresden

A German court yesterday rejected efforts by big companies and descendants of Prussia's aristocracy to reclaim property confiscated in east Germany after the second world war, ending one of the most controversial property disputes since the two Germanys were united nearly five years ago.

At issue in the case was the legal status of property belonging to 954 individuals and 589 enterprises whose current market value is estimated at DM40bn ($26bn). The property had been placed under the authority of the Treuhand privatisation agency and the city of Berlin after 1990.

Under the terms of the 1990 German Unification Treaty, owners of property confiscated by the Nazis between 1933 and 1945, and by East German communists between 1949 and 1990, can claim restitution or compensation in east Germany.

However, there was an exception: those individuals and owners of enterprises whose property was expropriated by the Soviet administration which governed East Germany until October 1949. In particular, Moscow confiscated property belonging to the large Prussian landowning aristocracy, as well as industrialists and individuals who had collaborated with the Nazis.

The claimants in yesterday's case had argued that their property had been taken by the Soviet administration, but the official confiscation was carried out by the East German Communist authorities after they came to power on October 7, 1949. They therefore claimed they were entitled to either restitution or compensation.

Some of the claimants, including Wertheim, which is owned by the Hertie retailing chain, argued that the expropriations had been officially carried out 46 days after the East German state had been founded and that they were therefore entitled to restitution or compensation. Other claimants included IG Farben, the former industrial group which was trying to reclaim extensive holdings in East Berlin.

But Mr Everhardt Franssen, the presiding judge at the Federal Administrative Court, said the confiscations were valid since they had undoubtedly been carried out under the supervision of Soviet officials.

"It is a question of interpreting the timing of the confiscations and the motives behind the confiscations. Much is at stake about the status of this property," a property lawyer said yesterday. "Did the East German Communists simply carry out the instructions of the Soviet Union; were the East Germans just slow about implementing them; or did they independently confiscate that property? These are very difficult questions," he added.

Had the court ruled in favour of the claimants, it would have questioned the validity of the decision made in 1990 by Bonn and Moscow not to allow any restitution or compensation for the 1945-49 period.

CONTENTS

No 32,600 Week No 7 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

NEWS: EUROPE

Italian union chief breaks the mould

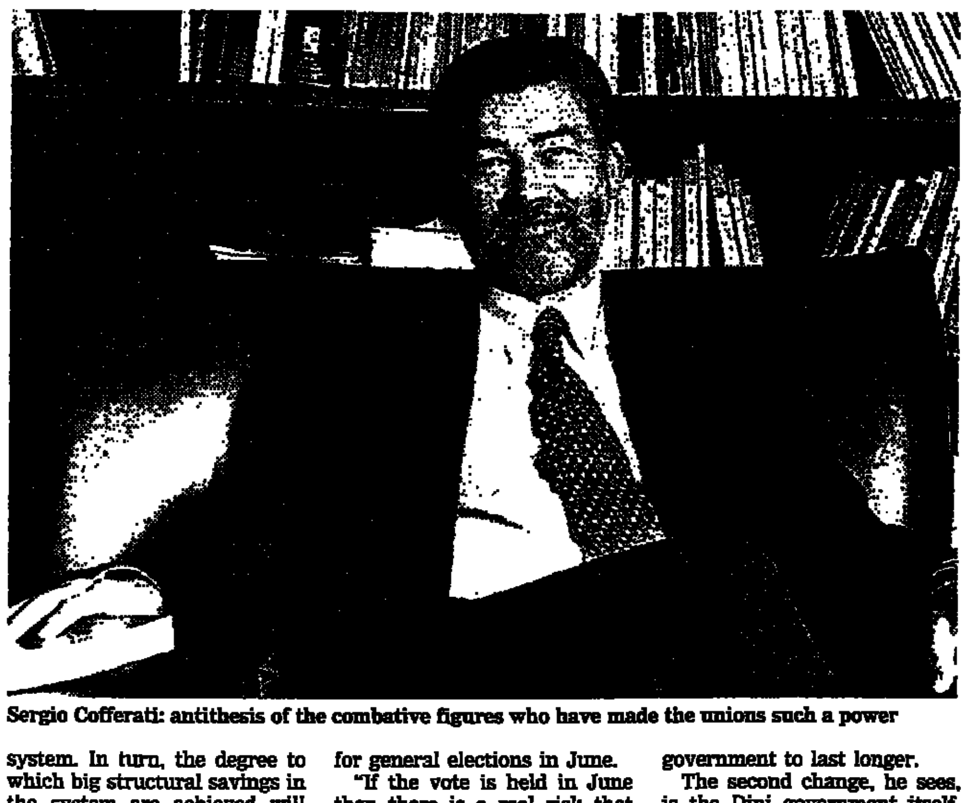
The CGIL's Sergio Cofferati is a key player in pension reform, writes Robert Graham

EUROPEAN INTERVIEW

If post-modernism has reached trade union militancy, then one of the first examples is Mr Sergio Cofferati. For the past seven months he has been heading the CGIL, the largest of Italy's three main trade union confederations which for much of the post-war era have been dominated by the Italian Communist party.

Mild-mannered, neatly dressed and with little time for ideological discourse, Mr Cofferati is in many ways the antithesis of the combative figures who have made the unions such a power.

He even breaks the tradition of the CGIL boss coming from an engineering workers' union – the historic vanguard of the movement. Instead he started off as an official in the chemical workers' union, making his name as an astute negotiator of the restructuring of Pirelli after the latter's failed marriage with Dunlop.


Sergio Cofferati: antithesis of the combative figures who have made the unions such a power

Yet if Mr Cofferati is quietly spoken, he has nevertheless established his authority in a short time. He emerged as the key union player in last autumn's confrontation with the Berlusconi government over pension reform. His tough line, insisting on a general strike, was instrumental in forcing the then right-wing coalition into a humiliating retreat, detaching the pensions issue from the 1995 budget and allowing until June this year to reach agreement on reform.

His role once again will be central to the success or failure of the pledge by Mr Lamberto Dini's government to meet the June deadline on overhauling Italy's generous state pension system. In turn, the degree to which big structural savings in the system are achieved will have a profound impact on the financial markets' view of the health of Italy's public finances.

"The unions' objectives on pensions are the same – to ensure the stability of pensions, to let people know clearly what their position is, and make sure that people do not suffer as a result of reform," he says.

But he is quick to point out the negotiating climate has changed in three important respects. The most significant change concerns the limited nature of Mr Dini's mandate as premier and the call by the out-going right-wing coalition for general elections in June.

"If the vote is held in June then there is a real risk that negotiations will be conditioned by pre-electoral tensions.

"The unions and government could well reach an agreement only to find that it is not endorsed by parliament. Pensions are so sensitive and they could easily become an election issue."

More specifically, he warns that an election before the summer imposes a scarcely credible timetable on complex negotiations. "A June election would force the government to resign at the end of March and parliament to be dissolved in early April," he says. Not surprisingly he wants the Dini government to last longer.

The second change, he sees, is the Dini government itself. "Dini at the Treasury was the most rigid opponent of our demands [last autumn]. Yet now he says he wants to discuss reform with us."

Mr Cofferati acknowledges that the appointment of Mr Tiziano Treu as labour minister, with long experience of the union movement and negotiations, is a positive signal. He also realises that with the centre-left supporting the government, it will be harder to resort to the strike weapon. "But you cannot expect us to concede to this government what we refused to concede to [Silvio] Berlusconi."

The third new element is the decision by the constitutional court to permit a series of referendums, one of which concerns the abolition of the practice whereby union subscriptions are automatically deducted from pay packets and passed on to the organisation.

"This referendum could poison the atmosphere and create an anti-union platform, which would then oblige the PDS [the Party of the Democratic Left with which the CGIL identifies] to intervene." In fact, talks have already begun between the unions and the new labour minister to see if legislation can be introduced in parliament to head off the referendum.

Despite such problems hanging over the pensions reform, Mr Cofferati says the union accepts the need for change. "We accept that the state cannot continue to play such a dominant role in funding, and more responsibility should be assumed by the private sector. But we suspected the previous government wanted to shift the onus completely away from the state and on to the individual, which cannot be so easily done in Italy."

He believes unions should be able to develop their own pension funds, although they would be managed by professionals. The financial base would be access to the funds which companies currently set aside from individual pay packets to cover end of employment severance payments. There is believed to be about L50,000bn ($31bn) set aside by companies for such payments.

Mr Cofferati's watch-word is "solidarity". He points to the Italian plethora of small companies and large number of people working as artisans. This leaves many more individuals at risk when the responsibility for pension provision is shifted from the state.

He also says Italy has a special problem in the large numbers of 15 to 18-year-olds who entered the workforce in the boom years of the 1960s. They are now reaching the 35-year minimum contributions to qualify for pensions, yet have just turned 50.

Although only 38 per cent of the workforce is unionised and of these more than 55 per cent belong to the CGIL, many more are likely to support a tough stand against cuts in existing benefits. This is all the more likely when the majority of all union members are now pensioners.

Leaders of Italy's CGIL, CISL and UIL unions were scheduled to meet economic ministers late yesterday to discuss a second 1995 supplementary budget, expected to be launched shortly, the CISL union confirmed, AP-DJ reports from Rome.

In a letter published at the weekend in La Stampa newspaper, Mr Lamberto Dini, the prime minister, reiterated that this mini-budget would be equal to at least 1 per cent of Italy's gross domestic product, or about L18,000bn ($11bn). The measure is necessary to bring the 1995 budget deficit back in line with original targets.

Meanwhile, a meeting between Mr Dini and unions on the crucial issue of pension reform is expected for later this week, although a firm date has not yet been set.

Lyons mayor defiant as corruption trial opens

By Andrew Jack in Lyons and agencies

The trial on corruption charges of Mr Michel Noir, the mayor of Lyons, and 11 other people opened in Lyons yesterday. The case, involving about FFr33m (£4m), is one of the most colourful of the financial scandals currently affecting France to have made it to court.

Mr Noir faces charges alongside Mr Pierre Botton, a businessman and his son-in-law, Mr Michel Mouillot, mayor of Cannes, and Mr Patrick Poivre d'Arvor, a flamboyant national television presenter.

The trial focuses mainly on charges that Mr Botton embezzled money from his companies in the 1980s to promote the career of Mr Noir, a 50-year-old Gaullist rebel and former trade minister once seen as a presidential hopeful. Mr Botton is accused of pumping illegal funds into Mr Noir's election campaign and showering him with gifts.

The trial, expected to last three weeks, was adjourned until tomorrow after Mr Noir's lawyers argued that he could only be tried by a special high court and that the charges should be dropped.


Michel Noir: 'I have no reason to change' Trevor Humphries

Mr Noir said he was being accused of receiving gifts from Mr Botton worth FFr491,000. "I am admitting only half: seven business suits and some trips." Magistrates charge that he received FFr1.6m – more than half of it as private gifts – and was fully aware of the illicit funding that gave a US-style aura to his campaigns.

The case has cast a shadow over the position of Mr Noir, a popular mayor whose aides insist he is running the city in spite of the charges. Arriving amid jeering crowds at the court, he said: "I am calm and serene, I have no reason to change."

However, his political opponents have been increasingly vocal in the run-up to new elections for mayor, due to take place in June. Several politicians have expressed their interest in competing against Mr Noir, including Mr Bruno Gollnisch, vice-president of the extreme right-wing National Front.

Mr Poivre d'Arvor, chief newsreader at private television channel TF1, is charged with receiving almost FFr1m for luxury trips, hotel stays and meals. Mr Mouillot is also accused of receiving illegal funds. Mr Charles Giscard d'Estaing, a nephew of former president Valéry Giscard d'Estaing, is accused of fraud as a financier of the Botton group.

Mr Botton, 39, built up a diverse network of companies operating in sectors including chemists, carpentry, and health food shops. He was influential in building up Mr Noir's political base until relations between the two men soured.

Balladur declares war on nation's deficits

David Buchan on the launch of the PM's campaign to be president

Mr Edouard Balladur, the French prime minister, yesterday claimed that mastering the country's deficits was essential to producing the right economic conditions for job creation, maintaining the social security system, and preparing the country for European monetary union.

Launching his presidential programme, he indicated he planned to narrow the deficits by squeezing spending and relying on increased fiscal revenues from higher economic growth, rather than by raising taxes.

Indeed, he said he hoped that by widening the tax base and by closing some income tax loopholes and exemptions – which, ironically, he expanded when he was finance minister in 1986-88 – the average tax rate would come down.

If elected president, Mr Balladur said, he intended to ensure that France was ready for Emu by 1997, the earliest possible opportunity under the Maastricht treaty. This was not to satisfy "some myth about Europe" but because the necessary fiscal disciplines "are in the interests of France".

He described France's record 12.6 unemployment rate as its "first and gravest preoccupation", and went on to relate a series of economic measures dealing with the issue of job creation. "Neither the swelling of public deficits, nor the continual rise in taxes, nor monetary manipulations can help in the fight against unemployment. Quite the contrary," he said.

"Those who wish, explicitly or implicitly, to make people believe this are deceiving the French people," the Gaullist prime minister added, in a reference to some fellow conservative rivals as well as those on the left.

The government must make "a constant effort" to master all spending which does not directly encourage jobs or help the unemployed, so that the state could shoulder more of the welfare charges that fall on company payrolls. These welfare charges account for 41 per cent of total labour costs in France, compared with 31 per cent in Germany and 16 per cent in the UK.

In pursuit of his goal to reduce France's dole queue by 200,000 annually over the next five years, Mr Balladur claimed that his plans to reduce health and family charges on company payrolls would slice 10 per cent off the cost of hiring less-skilled workers in industry and in services, and eventually create 500,000 jobs.

But at the same time he warned of the need for savings in hospitals that account for half of France's soaring spending on health, the highest in Europe.

On the highly sensitive issue of labour market reform, Mr Balladur broke no new ground, although he said he would like to see the share of part-time workers in France rise from 15 per cent to the 25 per cent average of its leading European partners. He largely contented himself with reminding the electorate of the opportunities opened up by his 1993 employment law.

These included the possibility of more shops staying open on Sundays and for employers and unions to negotiate a reduction in the regular 39-hour work week, if employers were also ready to hire more workers and unions were prepared to be more flexible in letting total work hours be calculated on an annual basis.

In contrast to Mr Lionel Jospin, his Socialist opponent, Mr Balladur's position remains that changes in working hours and pay are for France's "social partners", not its government, to decide.

However, on a wider level, France would continue to push for "a social Europe", partly through the European conference on social affairs which it is hosting in March, and for the European Union to use its weight in the new World Trade Organisation to try to get third world trading partners to respect minimum labour and ecological standards.

Mr Balladur made it clear that France would continue to agitate for the world's top financial powers inside the Group of Seven to create a more stable international monetary system.

But his more immediate monetary preoccupation was closer to home. France was "well placed to meet the Maastricht criteria on public debt, inflation and interest rates," he said.

"Only our deficit poses a problem – but we still have two years more to put that in order."

Disposals will light way for stalled privatisation programme

Macedonia to sell off tobacco industry

By Kerin Hope, recently in Skopje

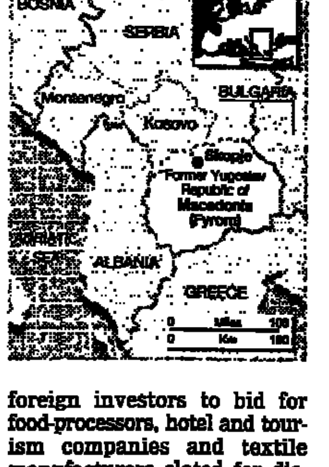
Macedonia's privatisation programme, delayed for almost three years by political infighting and the country's uncertain international status, takes off next month with the sale of its renowned tobacco industry.

In response to pressure from the World Bank and the International Monetary Fund to speed up structural reforms, the former Yugoslav republic has undertaken to dispose of more than 900 state-controlled and "socially owned" enterprises – where workers and managers hold a majority of shares – by December.

The government has appointed Barents Group of the US as its adviser on the tobacco privatisation, which is expected to produce revenues of at least $50m. Bids are due in mid-March for three tobacco processing plants and a trading company, Makedonija Tabak, to be sold individually or as a group. British American Tobacco, R J Reynolds, Philip Morris and Rothmans – long-standing buyers of Macedonian tobacco – are among prospective bidders, according to officials at Macedonia's privatisation agency.

Mr Rudi Lazarevski, of Cooper's & Lybrand in Skopje, says: "The tobacco companies need radical restructuring but they're in better shape than other companies on the privatisation list."

The government hopes that a successful sale will encourage foreign investors to bid for food-processors, hotel and tourism companies and textile manufacturers slated for disposal this year.



Macedonia's struggle for international recognition after the break-up of federal Yugoslavia, together with fears that the conflict in Bosnia would spread south, have deterred potential investors.

Concern over its stability gave the ex-communists who dominate the coalition government an excuse to postpone privatisation, to the irritation of the liberal faction, committed to a market economy.

Mr Jane Miljovski, finance minister, says: "We had problems with putting legislation in place and we have to accept that we're not on anyone's list of attractive places to invest. But the tobacco sale should set the ball rolling."

Proceeds from privatisation will go towards writing down Macedonia's $660m foreign debt and repaying some of an estimated $1bn in frozen foreign exchange deposits at Macedonian banks.

Meanwhile, the government has launched a restructuring plan for Macedonia's 25 largest companies, which are all overstaffed and heavily indebted to state-owned banks. The plan calls for the dismissal of 16,000 of a total 44,000 workers, suspension of debt payments for a year and the appointment of international advisers as "shadow managers" to supervise the restructuring process.

Mr Miljovski says: "Companies that produce a positive cash flow as a result of restructuring will be privatised, and the rest must be liquidated."

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EUROPEAN NEWS DIGEST

War tribunal indicts 21 Serbs

The Yugoslav war crimes tribunal in The Hague yesterday indicted 21 Serbs for crimes against humanity at the Omarska concentration camp in Serb-controlled Bosnia. Camp commander Zeljko Meakic was charged with genocide, while the other 20 were indicted for a number of crimes including murder, rape, torture and violations of the Geneva Convention on the treatment of prisoners.

However, the accused Serbs are all at large with the exception of a Dusan Tadic, who is being held in Germany. His extradition to the Netherlands hinges on a change in German law, expected to take place in the spring, clearing the way for the first international war crimes court case since the Nuremberg and Tokyo tribunals after the second world war. However, the Yugoslav tribunal, created by the United Nations Security Council in 1993, cannot try suspects *in absentia*, and its attempts to gather information and locate suspects are hampered by the continued war in the former Yugoslavia. *Ronald van de Krol, Amsterdam.*

Zürich ends liberal drug policy

Swiss police yesterday posted notices and distributed leaflets to drug addicts and dealers, warning them that Zürich's long-standing liberal drugs policy would end at midnight. The move followed concern that violence was increasing and that dealers were trying to sell drugs to children. An abandoned railway station in the Letten quarter, near the city centre, had become a haven for the drug trade, with more than 3,000 people buying drugs daily. About half the people were from the Zürich area; the others from elsewhere in Switzerland or from abroad. Previous clampdowns have simply moved the drug scene to a new area. Three years ago police closed a "needle park" next to the main train station in the heart of Zürich. Now Zurich-based addicts will be offered treatment, but foreign drug users are to be sent home. However, heroin will still be offered under medical supervision to about 1,000 hard-core users who reject rehabilitation. *AP, Zurich*

Zil board ousts its chairman

The chairman of Zil, once the flagship of Russia's automotive industry but now a symbol of its decline, has resigned, according to company officials. Mr Alexander Vladislavlev was ousted by the board of directors after his rescue plan for the cash-strapped enterprise was rejected. Company officials said that Mr Valery Saikin, president, would take over as chairman until an April 2 shareholders' meeting votes on a permanent replacement. Mr Saikin has called for increased government subsidies and argues that re-nationalisation might be the only way to save Zil, where a financial crisis led to a two-week stoppage last month. The government has resisted Zil's pleas for help. But the factory appears to have found a more willing sponsor in the Moscow city council, which was likely to buy a 12 per cent stake in Zil in exchange for municipal taxes. *Chrystia Freeland, Moscow*

De la Rosa released on bail

The Catalan financier, Mr Javier de la Rosa, who is facing charges of fraud and falsification of documents, was yesterday allowed to go free on bail of Pta1bn ($7.6m). Mr de la Rosa, formerly the Kuwait Investment Office's (KIO) representative in Spain, had been held in preventive custody since October in relation to charges over his conduct of the Grand Tibidabo leisure group. He had owned 26 per cent of the company, which was a promoter of the Port Aventura theme park project in Catalonia, in which Britain's Pearson group and US group Anheuser-Busch are now principal shareholders. A Barcelona judge said he was retaining Mr de la Rosa's passport as a precautionary measure. An embargo has already been placed on his assets. The judge also allowed bail for three other executives implicated in the Grand Tibidabo case, Mr Ramon Fiter, Mr Arturo Pinana and Mr Joan Cruells, on bail ranging from Pta40m to Pta250m. *Reuter, Barcelona*

Hungary devalues its currency

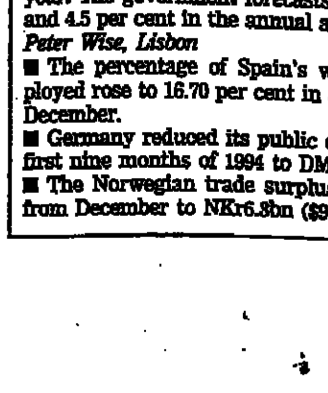
Hungary yesterday devalued the forint by 2 per cent, its second devaluation this year, ending days of speculation. The devaluation, which is against a currency basket of the dollar and the ecu, will take effect from today and is in line with the central bank's creeping exchange rate policy. Hungary has preferred regular, small devaluations rather than large markdowns for fear of sparking inflationary pressures and pushing up prices of imported energy and other essential raw materials. The government and central bank are expected to devalue the currency – which closed at 113.80 to the dollar yesterday – by around 15 per cent this year, compared with cumulative devaluation of 16.8 per cent in 1994. The government is under pressure to devalue the currency more in order to boost exports and reduce its trade and current account deficits which exceeded $3.5bn in 1994. *Virginia Marsh, Budapest*

Death of senior Italian senator

Mr Bruno Visentini, the respected Italian senator, former finance minister and honorary chairman of Olivetti, the computer group, died in Rome yesterday, aged 80. Mr Visentini was a fiercely independent Republican party politician, who pursued a distinguished parallel career in Italian industry. Born in Treviso in 1914, Mr Visentini fought in the Veneto resistance movement against the fascists. He served as an under-secretary for finance immediately after the war, and in 1948 was appointed deputy chairman of IRI, the state holding company, a post he held until the early 1970s. Mr Visentini was also credited with laying the foundation for the later success of Olivetti as its chairman from 1964 to 1974. He himself attributed his ability to resist political opposition to the fact that he did not depend on politics for a living. *Andrew Hill, Milan*

ECONOMIC WATCH

Portuguese inflation rises



Portugal's year-on-year inflation rate rose from 4.0 per cent in December to 4.5 per cent in January, the National Statistics Institute said yesterday. Monthly inflation jumped to 1.2 per cent from 0.3 per cent in December. Economists attributed the rise to a one-point increase in January in the core rate of value-added tax to 17 per cent introduced and price resetting at the beginning of the year. The increase was interpreted as a short-lived inversion in the downward trend of inflation that outperformed expectations in 1994 and is forecast to continue falling gradually in 1995. Annual average inflation fell to 5.1 per cent in January from 5.2 per cent in December and 6.2 per cent in January last year. The government forecasts a fall to between 3.5 per cent and 4.5 per cent in the annual average rate by the end of 1995. *Peter Wise, Lisbon*

■ The percentage of Spain's workforce registered as unemployed rose to 16.70 per cent in January from 16.51 per cent in December.

■ Germany reduced its public deficits by 25.7 per cent in the first nine months of 1994 to DM95.5bn ($62.4bn).

■ The Norwegian trade surplus in January rose 54 per cent from December to NKr6.8bn ($946m).

Russia agrees partial truce in Chechnya

By Chrystia Freeland in Moscow

The Russian government yesterday announced a partial ceasefire in Chechnya and liberal officials sought to confirm President Boris Yeltsin's continued commitment to economic reforms.

Mr Yeltsin's two-pronged effort to counter charges that he is a man of war and to re-establish his image as the leader of Russia's market reforms, came in the run-up to a state of the union address scheduled for Thursday. Mr Yeltsin is expected to use the annual address, which is being prepared by the liberal faction in the presidential team, to offset domestic and international criticism of the Chechen conflict and shore up his faltering reformist credentials.

In an apparent breakthrough in the nine-week war in Chechnya, ministry of defence officials said they had reached an agreement with Chechen military leaders to stop using heavy weapons in the conflict. Chechen leaders, who were forced to retreat from their capital city last week, had been pushing for a negotiated settlement.

But it is, as yet, not evident that the partial ceasefire will not suffer the fate of numerous pledges, made and broken by Moscow over the past two months, to bring an end to the fighting. Promises of a ceasefire clashed with a report that the army will stay in Chechnya until three additional separatist strongholds have been subdued.

The Russian news agency, Interfax, quoting an unnamed army officer, reported yesterday that the army, which is officially meant to be handing over the Chechen operation to interior ministry forces, will remain in Chechnya until the three towns have been captured.

Moreover, even as the Russian military sought to give substance to Mr Yeltsin's claim on Friday that the conflict is proceeding "normally", the most outspoken critic of Russia's military intervention in Chechnya was purged from the ministry of defence.

Gen Boris Gromov, whose role as leader of Russian forces in Afghanistan lent weight to his vociferous criticism of the Chechen war, was removed from his position as deputy minister of defence and relegated to the less powerful post of chief military expert in the ministry of foreign affairs.

In tandem with these efforts to neutralise criticism of the Chechen adventure, Russian liberals yesterday sought to bolster Mr Yeltsin's faltering image as a proponent of market reforms.

Mr Vladimir Panskov, the minister of finance, said yesterday that he was certain that the president would veto parliament's decision last week to more than double the minimum wage. If the law was passed it would scotch Russia's chances of holding the budget deficit to 10 per cent of gross national product and jeopardise negotiations with the International Monetary Fund for a $6.2bn standby loan.

"I have no doubt at all that the president will agree with our arguments and will block the law coming into force," Mr Panskov said.

"This decision by parliament would bring nothing but harm and a general impoverishment through a surge in inflation," he said.

Russian officials said yesterday that a commitment to curb inflation would figure prominently in Mr Yeltsin's state of the union address. The address is reportedly being prepared by the liberal members of the presidential team whose influence has been eclipsed by hardliners over the past two months.

But reformers outside the government remained sceptical on the weight carried by liberal statements read by the president.

Talks in US on Romania ethnic dispute

Virginia Marsh reports on efforts in Atlanta to tackle the grievances of the 1.6m Hungarian minority

International mediators, including former US president Jimmy Carter, will today chair talks in the US between Romanian government officials and representatives of the country's ethnic Hungarian minority in an attempt to settle one of eastern Europe's most intractable and long-running ethnic disputes.

The talks are being hosted in Atlanta, Georgia, by the Project for Ethnic Relations, a privately funded US group, and the Carter Centre.

The meeting will be attended by Romanian government officials, a member of the Romanian National Unity party (PUNR), an extreme nationalist group, and the Democratic Union of Magyars in Romania (UDMR). The UDMR represents the 1.6m ethnic Hungarian minority, concentrated in Transylvania, which was ruled by Budapest until 1920.

The Atlanta talks, which are unofficial, come after a sharp deterioration in the already poor relations between the government and the UDMR and at a time when the radical stance of some ethnic Hungarian leaders has made them and the UDMR more isolated than ever in Romanian politics. The UDMR's increasingly strident calls for local autonomy in areas where ethnic Hungarians are in the majority have alienated moderate opposition parties to which it is allied.

The demands for autonomy have led the government to threaten the party with legal action and have encouraged nationalists to step up demands for it to be banned.

The Atlanta talks also come as Hungary and Romania are edging towards agreeing a bilateral treaty, the signing of which is a condition for membership of the European Union and Nato. Disputes over Transylvania, which Hungary re-occupied in the second world war, and Romania's treatment of the ethnic Hungarian minority, have soured relations between the two neighbouring states for much of this century. Hungary's new socialist-led government has given fresh impetus to the treaty negotiations by agreeing to recognise existing borders and to renounce territorial claims on Romania – something its nationalist predecessor was not prepared to do.

However, the most problematic issue – minority rights – continues to slow treaty negotiations. At talks due later this month in Romania, Budapest will again press Bucharest to agree on a specific and detailed minority protection document as an annexe to the treaty. The Bucharest government, which includes the anti-Hungarian PUNR party, is holding out for inclusion of more generalised rights within the main text.

Government critic: Laszlo Tőkes, the priest whose protest in Timisoara helped spark the overthrow of the Ceausescu regime

But the treaty is stirring up tensions in Romania. It is being opposed both by Romanian nationalists and by some ethnic Hungarians. When it joined the government last August, the PUNR agreed to support the treaty but its leaders have not changed their anti-Hungarian stance, its main vote-puller in general elections due next year.

Since Budapest and Bucharest reopened treaty negotiations in November, Mr Gheorghe Funar, PUNR president, has stepped up demands for the UDMR to be banned. He has suggested that Hungary and Romania "exchange" citizens and that ethnic Hungarians should be removed from the armed forces.

For their part, the ethnic Hungarians fear that Budapest, with its eye on EU and Nato membership, will soften its stance on minority rights at their expense in order to patch up relations with Romania.

This has led the UDMR to lobby against a compromise in Budapest and to increase its calls for guaranteed educational and cultural rights in Romania and for autonomy in ethnic Hungarian areas.

The party is also reacting to the increased influence of nationalists within the minority Romanian government which last month signed a co-operation agreement with Romania Mare, an openly anti-Semitic, racist organisation in an attempt to strengthen its position in the country's hung parliament.

This has led the UDMR to accuse the president, Mr Ion Iliescu, and the government of duplicity.

"One day the government supports the extremists, the next day it condemns them. It's the same with our party – one day they threaten us, the next day they say they didn't mean it," said the UDMR honorary president, Mr Laszlo Tőkes, the priest whose protest in Timisoara helped spark the overthrow of the Ceausescu regime in December 1989. "With this ambiguity, Mr Iliescu and his party deliberately mislead international public opinion."

This ambiguity was underlined at the weekend when Mr Iliescu and government officials attended the fifth anniversary of Vatra Romaneasca, or Romanian Hearth, the cultural wing of the PUNR. Mr Iliescu used the occasion to condemn any attempts at territorial autonomy and to praise Vatra's promotion patriotism. He also spoke out against extremism of any kind.

Row over east Germany's lost DM65bn

By Michael Lindemann in Bonn

Relations between east and west Germans, already strained, took another knock yesterday as politicians in both halves of the country squabbled about the disappearance of up to DM65bn ($42.8bn) of taxpayers' money meant for investment in eastern Germany.

Reports of money going astray could scarcely have come at a worse time. Since the beginning of the year Germans are having to pay an extra 7.5 per cent on their tax bill in order to find more money for investment in eastern Germany – and many are beginning to wonder how much longer extra levies will be needed to finance the poorer eastern Länder.

Now a report in the weekly news magazine, Spiegel, says that around 10 per cent of the DM644bn which will have been spent by the end of this year has been misspent or siphoned off by criminals. Reports by the audit commissions in four of the east German states and an investigation by the European Court of Audit speak of similar sums going missing.

East German politicians reacted swiftly yesterday. Mr Harald Ringstorff, the finance minister of the north-eastern state of Mecklenburg-Vorpommern, admitted mistakes were made but pointed out that when unification began in earnest in the autumn of 1990 there was a desperate shortage of civil servants and council officials who knew what they were doing. As a result, many east Germans were taken advantage of by sharper western Germans out to make fast money, he said.

Decisions also needed to be taken quickly because so much of the former German Democratic Republic was falling apart, he said, and it was hardly surprising that occasionally money never reached its destination.

The Bonn government spokesman, Mr Dieter Vogel, said some mistakes had been inevitable given the huge scale of reconstruction work in the east, but they had been mainly due to lack of experience.

> 'The government believes that misuse of funds was high in the early years and has declined since as controls were tightened'

"The government believes that misuse of funds was high in the early years and has declined since as controls were tightened," he said.

But eyebrows have nonetheless been raised by reports about towns such as Elsterwerda in Brandenburg which spent DM60m to build a sewage treatment plant for its 10,000 inhabitants and now has barely enough sewage to keep it going, according to the Spiegel report. The plant's four employees have six showers to choose between, the report adds.

Other east German politicians, including Mr Georg Milbradt, the finance minister of Saxony, point the finger at western consultants who were on hand to help the inexperienced east Germans.

Public monies for new town halls, industrial estates and municipal swimming pools often allegedly found its way back into the pockets of architects and construction companies from western Germany who moved quickly to take over the eastern market. They were apparently able to get close to the westerners who ran the Treuhand, the agency which oversaw the privatisation in the east and was dissolved at the end of last year.

Meanwhile, Mr Theo Waigel, the finance minister, and others in Bonn who are doling out aid for the east will have to redouble their efforts to find a better method for controlling it. The Association of Taxpayers yesterday demanded special commissions to oversee the funds, but whether it will stop there – and how much longer taxpayers are prepared to pay the higher tax bills - remains to be seen.

The economics ministry, which is preparing a report on how aid is used, said the figure of DM65bn was "an arbitrary calculation" without any reliable foundation.

. The head of parliament's finance committee, Mr Carl-Ludwig Thiele, called for federal auditors to prepare a report for deputies to review. "This concerns a substantial amount of federal funds," he told the Neue Presse newspaper.

Optimism on economy tempered by less reassuring long-term forecast

White House predicts 'soft landing'

By Michael Prowse in Washington

The White House's latest economic forecast, published yesterday, is a mixture of short-run optimism and long-run pessimism.

After unexpectedly rapid growth last year, the economy is now poised for a "soft landing", said Ms Laura Tyson, chairman of the president's council of economic advisers. There is little danger of either a surge in inflation or a recession. Growth will instead glide down to a rate consistent with the economy's underlying growth of industrial capacity.

This comforting scenario will allow the Federal Reserve to start cutting short-term rates early next year, to about 5.5 per cent against 6 per cent today. As growth slows, argues Ms Tyson, financial markets will stop worrying about inflation and longer term yields will drop too. The White House expects yields on 10-year Treasury notes to fall to about 7 per cent by 1997.

Because the economy will be purring along at precisely the growth rate consistent with its long-run potential, the jobless rate is expected to fluctuate in a narrow band (5.5 per cent to 5.8 per cent) around its current level. And since capacity utilisation rates stabilise at about current levels, inflation rises only modestly – to just over 3 per cent against 2.6 per cent last year.

If this seems too good to be true, the CEA's longer-term projections are less reassuring. Ms Tyson and colleagues are deeply sceptical of Wall Street claims that corporate restructuring in recent years has substantially increased the underlying rate of productivity growth – the motor that powers increases in living standards. While conceding the jury is still out, the White House concludes there has been, at most, a "slight improvement".

Since 1991, annual growth of productivity (output per hour in non-farm businesses) has averaged an impressive 2 per cent, twice that between 1978 and 1987. But the CEA says this is mostly a cyclical rebound, reflecting the recovery from recession, comparable with that which occurred between 1982 and 1985.

Since 1987, when resource utilisation was similar to that today, productivity growth has averaged only 1.2 per cent, against 0.9 per cent between 1978 and 1987. If the breakpoint chosen is 1986, rather than 1987, little or no improvement is visible.

Taking longer time periods, the White House sees even less evidence of a productivity miracle. Since 1978 annual productivity growth has averaged 1 per cent a year, against 1.7 per cent for the period 1972-1978 and 2.8 per cent for the period 1963-1972.

According to Ms Tyson, these productivity trends imply that the sustainable rate of economic growth is at most 2.5 per cent a year, rather than the 3 per cent claimed by some analysts in the private sector.

Indeed, she suggests this may be an overestimate. Growth has averaged only 2.1 per cent a year since the start of 1988, when the jobless rate was at about the same level as now. Since the comparison is between periods when resource utilisation was similar, this should be a good proxy of the economy's underlying growth potential.

Given its scepticism about long-run growth prospects, it is perhaps surprising that the CEA believes interest rates can be lowered next year. The logic of Ms Tyson's position is that monetary policy should be tighter, rather than looser, because recent growth has been even further above potential than most analysts realised.

Economic Report of the President 1995, US Government Printing Office, Washington DC.

US ECONOMY - Administration Forecast

	1994 (actual)*	1995	1996	1997	1998	1999	2000
Percent change fourth quarter to fourth quarter							
Real GDP	4.0	2.4	2.5	2.5	2.5	2.5	2.5
GDP implicit deflator	2.3	2.9	2.9	3.0	3.0	3.0	3.0
Consumer Price Index	2.6	3.2	3.2	3.2	3.2	3.1	3.1
Calendar year average							
Unemployment rate %	6.1	5.5-5.8	5.5-5.8	5.5-5.8	5.5-5.8	5.5-5.8	5.5-5.8
Interest rate, 91-day treasury bills %	4.3	5.9	5.5	5.5	5.5	5.5	5.5
Interest rate, 10 year treasury rates %	7.1	7.9	7.2	7.0	7.0	7.0	7.0
Nonform payroll employment (millions)	113.4	116.7	118.3	120.1	121.7	123.4	125.1

* Preliminary. Sources: Council of Economic Advisers, Department of the Treasury, and Office of Management and Budget

White House advisers warn on surge in US government's medical spending

Healthcare costs 'key to balanced budget'

By George Graham in Washington

The US federal budget would be balanced by 2003 if healthcare costs could be kept to the same rate of inflation as the rest of the economy, the White House council of economic advisers says in its annual report, issued yesterday.

The report emphasises that "obviously it is unrealistic to anticipate such a sharp change in healthcare spending trends," which are currently rising by over 9 per cent a year, but argues that the projection helps to pinpoint the real problem in tackling the continuing budget deficit.

Ms Laura D'Andrea Tyson, who chairs the three-member council, said the trend showed why setting an arbitrary goal of balancing the budget by 2002, as the Republican-dominated Congress is seeking to do through an amendment to the constitution, is not the right approach to deficit reduction.

"My suggestion is that the next right policy goal after this budget is to do healthcare reform," she said.

Ageing populace will contribute to rapid expansion of medical costs

Ms Tyson added that only comprehensive reform of the entire healthcare system would bring the desired results, since partial measures such as a cap on federal medical spending would just result in costs being shifted to the private sector.

The Clinton administration's budget for 1996, submitted to Congress last week, has been criticised by Republicans for ducking the hard work needed to bring the deficit down, particularly by avoiding the fast growing entitlement programmes of Medicare and Medicaid, which provide government healthcare benefits to the elderly and the poor respectively.

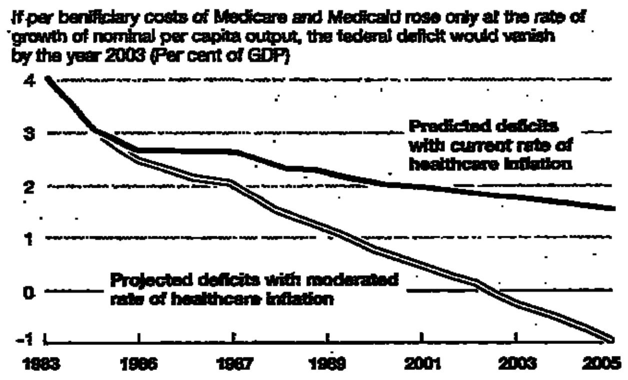
The ageing of the US population as baby boomers begin to retire is expected to contribute to the rapid expansion of government medical costs.

Medicare caters primarily for those over 65 while Medicaid spending, the White House report says, is increasingly a programme for elderly people needing nursing home care, which is not generally covered by Medicare.

Medicare spending is expected to grow at an average annual rate of 9.1 per cent, while growth in Medicaid spending is expected to average 9.3 per cent – around three times the general inflation rate.

Curbing healthcare costs

If per benificiary costs of Medicare and Medicaid rose only at the rate of growth of nominal per capita output, the federal deficit would vanish by the year 2003 (Per cent of GDP)



Source: Office of Management and Budget

A soldier in front of a mural of national hero Emiliano Zapata in Chiapas EPA

Zedillo faces defeat in state election

By Leslie Crawford in Mexico City

Mexico's centre-right opposition National Action Party (PAN) yesterday claimed a sweeping victory in Sunday's state elections in Jalisco, saying electors had turned out in force to deliver a protest vote against President Ernesto Zedillo's two-month-old government.

With morer than half the ballots counted, electoral authorities said the PAN was leading with 54.5 per cent of the vote, followed by Mr Zedillo's ruling Institutional Revolutionary Party (PRI) with 35.9 per cent. The left-wing Revolutionary Democratic Party (PRD) had about 3 per cent.

An estimated 70 per cent of the electorate in Jalisco – Mexico's second most populous and prosperous state – turned out to vote. If the final results, to be published next Sunday, ratify the PAN's triumph, it would mark only the fourth time the PRI has lost a state governorship in its 65 years of unbroken national rule.

"At last citizens have lost their fear of change," said Mr Alberto Cardenas Jimenez, the PAN's candidate for state governor. He said the election day had been peaceful and orderly, with few reports of irregularities.

The PRI had been expected to suffer badly as a result of the economic crisis triggered by the devaluation of the peso in December. Local factors, such as the rise in drug-related crime in Guadalajara, the capital of Jalisco and Mexico's second largest city, also contributed to voters' disillusionment with the ruling party.

The opposition victory, however, may come as a blessing in disguise for Mr Zedillo. "It is a paradox, but the ruling party's defeat in Jalisco will strengthen President Zedillo's stature with all Mexicans," said Mr Vicente Licona, a pollster with Louis Harris-Indemerc.

The president has cast himself as a reformer of Mexico's fraud-tainted electoral system and, by honouring the results of the Jalisco vote, he is likely to maintain the allegiance of the conservative opposition to a landmark accord on political reform signed by Mexico's mainstream parties last month.

A PAN victory dissipates the threat of violent post-electoral protests in Jalisco, at a time when contested results in the oil-rich state of Tabasco and an army crackdown against Zapatista rebels in Chiapas are taxing Mr Zedillo's leadership. The PAN is the only opposition party to have applauded the president's offensive in Chiapas.

The PRD's criticism of the Chiapas crackdown is expected to become more strident following its crushing electoral defeat in Jalisco.

The PAN hopes its triumph in Jalisco will lead to a string of successes in the remaining five state races across the country this year. Mr Zedillo, however, is expected to come under greater pressure from his own party to improve the government's political and economic management.

Mexico's financial markets reacted negatively yesterday to the PRI's apparent defeat in Jalisco and the prospect of a protracted guerrilla war in the southern state of Chiapas. The stock market was down 1.26 per cent in midday trading, while the peso weakened to 5.59 against the dollar, against 5.55 on Friday's close.

Grappling with lower peso, Page 20

Mr Hans Tietmeyer, president of the Bundesbank, said the Bank for International Settlements (BIS) had agreed a financing package for Mexico of up to $10bn (£6.4bn), Reuter reports from Basle.

Mr Tietmeyer, speaking as chairman of the central bank governors of the Group of 10 industrialised nations, declined to elaborate on the BIS part of a $50bn rescue package. He said the agreement was confidential.

He said yesterday's meeting of governors felt the Mexican financial crisis showed "in the future that it is very important to have more and strengthened surveillance" of developing countries' economic fundamentals and their internal financial balance. This was being looked at by the International Monetary Fund.

Argentina may act on bank deposits

Mr Roque Fernandez, Argentina's central bank president, said yesterday he was considering blocking banks from having more than 0.5 per cent of deposits mature on any single day to avoid liquidity problems, Reuter reports from Buenos Aires.

"In the future, we might have a timetable so that deposits mature in an orderly fashion. Banks will have to follow some rules, they may be limited to having a maximum of 0.5 per cent of their total deposits maturing on the same day," Mr Fernandez said.

However, only 5 per cent of the local banking sector could face liquidity problems and the banking sector at large was not in any danger, he said.

The Argentine banking sector has been shaken by talk of failure and collapse since the Mexican peso devaluation in December triggered a process of capital flight throughout the region and caused a serious tightening of liquidity.

So far only one merchant bank, Extrader, has been closed and three other institutions have been suspended – though one, Finansur, has now had its 30-day suspension lifted.

Goldman Sachs fined

The New York Stock Exchange said yesterday it had fined Goldman Sachs $250,000 for violating several exchange rules between 1990 and 1992, Reuter reports from New York.

The exchange said Goldman failed to establish procedures for supervising and controlling trading of equities for institutional customers and for its own accounts.

The NYSE said Goldman executed trades for proprietary accounts "at prices more favourable than prices assigned to institutional customers". It also said that for certain trades, Goldman did not make records of orders and order tickets. As part of the settlement, Goldman will review systems and procedures, the NYSE said. Goldman declined comment.

Aid slashed for Russian pullout from Baltics

By George Graham

President Bill Clinton's promise last July of more aid to help persuade Russia to withdraw its remaining troops from the Baltic republics has been called into question by the new Republican majority in Congress.

A House of Representatives committee has slashed the money, which Mr Clinton offered President Boris Yeltsin at the Group of Seven summit in Naples last year to pay for housing of Russian officers repatriated from the Baltics, in order to offset extra costs run up by the Pentagon last year in operations such as the restoration of President Jean-Bertrand Aristide to Haiti.

The Clinton administration had asked Congress for a supplemental budget of $2.6bn to pay for troop deployments in Haiti, Kuwait, Bosnia and South Korea.

Such supplemental requests are usual, because the annual Pentagon budget includes no contingency fund, so any military operation eats into money that would otherwise pay for training and maintenance.

Although the House appropriations committee voted to give the administration $670m more than it had asked for, it decided to pay for the increase by making cuts in a long list of accounts favoured by the administration – both within the defence budget and in other areas.

Some of the savings come from weapons projects that the Pentagon has already cancelled, but the Republican majority on the appropriations committee also voted to cut $150m intended for environmental clean-ups at military bases and $502m from a cherished Clinton programme to encourage the development of dual use technologies with both military and commercial applications.

Persuading Mr Yeltsin to withdraw all remaining Russian troops from the Baltics by the end of August last year is one of the Clinton White House's proudest foreign policy achievements, which President Lennart Meri of Estonia described as "dismantling the last ruins of World War II in Europe".

But the difficulty the Clinton administration has had dealing with Congress on this relatively small supplemental defence spending bill is expected to presage even more difficult fights when the full defence budget for 1996 is considered later this year.

Gingrich rules out running

By Jurek Martin in Washington

Congressman Newt Gingrich, the Speaker, yesterday said he had ruled out running for president next year because "I want to focus on what I'm doing" in the House of Representatives.

Speaking in Smyrna, Georgia, he said he had thought seriously about entering the race for the Republican nomination over the weekend after former vice president Dan Quayle took himself out of consideration last week, but had decided against it.

Media speculation about Mr Gingrich's ultimate ambitions has flickered intermittently since he became Speaker early last month. The subsequent success in the House – though not yet in the Senate – of parts of the Republicans' Contract with America programme, including passage of the balanced budget constitutional amendment, the line-item veto and new anti-crime legislation, has kept him very much in the headlines.

Mr Gingrich himself had previously discouraged such musings. But the withdrawal of Mr Quayle, a favourite of conservatives, as well as that of two Republican stalwarts, Mr Dick Cheney and Mr Jack Kemp, seems to have given him pause to wonder.

All three cited the burden of heavy fundraising as a reason for not going ahead. So popular is Mr Gingrich among wealthy conservatives this might have proved less of an obstacle for him, as it has so far for Senator Phil Gramm of Texas. But Mr Gramm is widely viewed as too abrasive and partisan to win a presidential election.

Senator Robert Dole, the majority leader and nominal front runner at this stage, can probably muster the necessary $20m-plus in initial campaign finance from a wider variety of sources.

Newt Gingrich: wants to focus on House of Representatives

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NEWS: ASIA-PACIFIC

Japanese credit union to sue former officials

By Emiko Terazono in Tokyo

A small Japanese credit union bailed out by the authorities in December yesterday alleged that illegal transactions by former officials of the group had caused its financial problems.

Mr Hisayasu Noguchi, president of Tokyo Kyowa Credit Union, one of two credit unions – the other was Anzen Credit Bank – rescued by the authorities, said he would file civil and criminal charges against former managers of both credit unions for breach of trust.

The Tokyo district prosecutors, which are said to have started a preliminary inquiry, are expected to reinforce their investigations after Mr Noguchi's announcement, fuelling the controversy surrounding the public bailout of the two unions. Mr Noguchi announced the legal action yesterday at a meeting where credit union members voted to liquidate the organisation.

This latest development is likely to increase criticism of the Bank of Japan, the central bank, and the Ministry of Finance, which jointly mapped out the publicly funded bailout for the two credit unions.

Tokyo Kyowa and Anzen Credit Union have bad debts of more than Y100bn (£650m) and are virtually insolvent. The two credit unions will be liquidated on March 20. Their assets will be shifted to Tokyo Kyodo Bank, which was set up by the Bank of Japan, private banks and the Tokyo metropolitan government to manage assets and operations of the two failed credit unions.

Tokyo Kyodo is to be capitalised at Y40bn, comprising Y20bn from the Bank of Japan and Y20bn from private banks.

While the financial authorities have stressed the need for the rescue to maintain order in the country's financial system, the two credit unions' lack of disclosure about their financial status and the unclear decision-making process for the state rescue have prompted a public outcry.

Tokyo Kyowa and Anzen have been bought to their knees by mounting bad loans to EIE International, an ailing property developer led by Mr Harunori Takahashi, who was also the former president of Tokyo Kyowa until last December. Of the Y100bn in bad loans for the two credit unions, EIE companies are said to account for some Y60bn.

Loans to EIE – known for its many domestic and international speculative development projects – were withheld by its banks, including Long Term Credit Bank, its main creditor, in 1993. Questions over whether taxpayers' money should be used to cover problems stemming from speculative investments by a private organisation have been raised by politicians.

Meanwhile, several leading politicians could be implicated in the controversial decision to support the bailout; Mr Takahashi's links with politicians belonging to both the ruling and opposition camps are extensive.

The All-Japan Prefectural and Municipal Workers Union, a support group for Mr Tomiichi Murayama, the prime minister, was last week named among the credit unions' leading institutional depositors, while members of the ruling party have focused on alleged links between Mr Takahashi and officials of the New Frontier party, the leading opposition.

Ruling party and opposition MPs on the parliamentary budget committee, where the rescue was discussed last week, have agreed to ask the Finance Ministry to disclose the list of depositors.

The ministry, which opposed such a move, has until tomorrow to respond.

Push to bridge gap in Taiwan-HK air talks

It was never going to be easy, so close to Hong Kong's 1997 handover to China, to renew a "private" agreement that provides for air services between Hong Kong and Taiwan.

The present agreement – between Cathay Pacific, Hong Kong's international carrier, and China Airlines (CAL), Taiwan's national airline – expires in April, but talks designed to extend it for five more years have made little progress since starting a year ago. There is no question of air services being suspended between the two cities, but unless a breakthrough occurs, Cathay and CAL will have to devise *ad hoc* arrangements to maintain air links. "Services will not stop," one Cathay official said. "That's not in anyone's interests."

Talks have made little progress, write **Simon Holberton** and **Laura Tyson**

For the past 20 years the Cathay-CAL agreement has been periodically renewed without creating a ripple of interest outside the world of aviation. But air service agreements have the capacity to grow into much more than just flying people from point A to point B; this is especially so when it concerns the three parts of China, Hong Kong, Taiwan and China proper.

Behind the scenes in the present Hong Kong-Taipei talks is the brooding figure of Beijing, which reserves the right to bless any deal Cathay signs with the Taiwanese. The Chinese government regards Taiwan as a part of China ruled by a renegade regime; this has held up a clutch of air services accords Hong Kong would like to sign with third countries before 1997.

"The Taiwan issue has been one of the factors that has slowed down China's willingness to authorise agreements between Hong Kong and third countries," a British foreign office official familiar with the subject says. "The Chinese regard future air links between Hong Kong and Taiwan as cabotage – an internal flight. It stretches reality, but in theory they have a point."

The Taiwanese are subject to pressures of a different sort. The government is under fire from politicians, the Fair Trade Commission, which looks at competition issues, and consumer groups to cut fares. Consumer groups claim the route is one of the world's most expensive.

Leading the charge is EVA Air, an airline owned by the Evergreen group, one of the world's largest transport groups; it is exerting pressure on Taiwan's ruling Kuomintang government to open the route. By the end of this year, EVA will have a fleet of 25 aircraft. It has incurred substantial losses due to start-up costs (losses last year were T$1.2bn (£29m) against T$2.1bn in 1993), and it is anxious to gain access to the "golden route", as the Taipei-Hong Kong route is known.

Cathay and CAL: need for a breakthrough

Precise figures are not available but Cathay concedes that in terms of profits the Hong Kong-Taiwan routes are important to the airline. As far as CAL is concerned the route is believed to be one of the few profitable flights it operates. Both airlines have an interest in keeping the *status quo*.

"We are happy to sign a commercial agreement with China Airlines and EVA Air," a Cathay official said. "But we have an agreement with China Airlines. If there wasn't an EVA Air factor, we would have signed another agreement with China Airlines. But until we resolve the problems of shared capacity the talks are stalled."

The point about shared capacity is simple. Cathay's position is that an equal number of seats should be exchanged between Hong Kong and Taiwanese carriers. Cathay will not agree to a situation where China Airlines and EVA Air each, for example, have 100 flights a week and Cathay has 100 flights.

At present, Cathay and CAL each fly 105 flights a week between Taipei and Kaoshiung in Taiwan and Hong Kong. The Hong Kong airline's position remains that if another Taiwanese carrier is to fly the route, it will have to share CAL's rights.

In an apparent attempt to bridge the gulf, Mr Tsai Ching-yen, Taiwan's head of civil aviation, suggested last week that Cathay might sign an air services pact with the Taiwan Airlines Association, the airlines' industry group. This would allow the association to parcel out access to the route to carriers in addition to CAL.

Some analysts suggest Beijing-Taipei politics are the cause of the impasse.

This view holds that the main sticking point is Mr Chang Rong-fa, EVA's owner and the chairman of the Evergreen transport group, and his alleged support of Taiwan independence and the Democratic Progressive party (DPP), the main opposition to the Kuomingtang. China will prevent EVA from flying to Hong Kong so long as its owner supports independence.

Evidence for this theory is mixed. Mr Chang is a local-born Taiwanese who promotes use of the Taiwanese dialect of Chinese in his companies. But Mr Chen Fang-ming, a DPP spokesman, said Evergreen is not a financial contributor to the party. Moreover, Mr Chang is said to have close ties with Mr Lee Teng-hui, Taiwan's president.

EVA denies any problems with Beijing. Mr Jason Lin, a spokesman for the airline, says: "According to our understanding, mainland China has no objection to EVA flying the Taiwan-Hong Kong route."

So far, Hong Kong does not yet appear to have received the sort of assurances it wants. Cathay will not comment on the talks, but it is believed the Hong Kong carrier offered to sign an agreement including EVA, on the proviso that EVA proved it had China's support for such a pact, but so far it has been unable to do so.

Last year Mr Chang accused Cathay of exploiting the fact that Taipei and Beijing have no political contacts. But EVA plans to break in to the lucrative route even if it means setting up in Macao.

The airline aims to incorporate a $10m (£6.4m) subsidiary in Macao for ground services at the new airport there. This, it hopes, will lead to gaining landing rights and the opportunity to compete with CAL and Cathay.

Taiwanese plan city to boost Vietnam's economy

Taiwanese investors are planning a multi-billion-dollar city south of Ho Chi Minh City to transform Vietnam's dynamic but crumbling business capital in the 21st century, Reuter reports from Ho Chi Minh City.

Saigon South, as the project is called, involves 2,600 hectares of science parks, universities, a business and financial centre, and shops, warehousing and office areas linked by a ring road to the port. Total investment could eventually amount to $60bn (£38.4bn). Saigon South "may become the most desirable international business centre in South-East Asia", developer Phu My Hung Corporation said.

All that is visible at the moment is the seed investment, the Tan Thuan Export Processing Zone (EPZ), shaping up as the most successful of six EPZs in Vietnam. Central Trading and Development (CT&D), controlled by Taiwan's ruling Kuomintang party, launched the zone with investment of $89m as majority partner in a 70/30 joint venture with the Ho Chi Minh City People's Committee, the local authority.

The Saigon South concept started with a $242m ring road round the city's south side linking Tan Thuan with Vietnam's main north-south highway. Work is to start next April and will take seven years.

Premier Vo Van Kiet approved the project last December and the developers are starting work on the new city centre and a warehousing complex in the west. This first phase should be ready in seven years. The whole project will take up to 15 years.

Infrastructure is a major problem for Vietnamese projects, and CT&D is building its own $204m, 675MW power station for Tan Thuan, at Hiep Phuoc, 15km south of the zone. The first phase is due for completion by 1997.

Two-thirds of the walled-off 300 hectare EPZ has been levelled since the February 1992 ground-breaking ceremony, and 53 foreign investors have paid deposits for leases covering 56 hectares, Mr Y Young, marketing vice-president of CT&D's Warson Overseas Development Company, said. All the companies are Asian.

The zone's managers say EPZs offer risk-free investment to access Vietnam's low-cost labour. Critics say rents are too high to attract investors. "Excluding Tan Thuan EPZ, the construction process has been slow," the semi-official Vietnam Investment Review said. Apart from Tan Thuan, one more EPZ is being built in Ho Chi Minh City and others have been licensed in Hanoi, Haiphong, Danang and Can Tho in the Mekong Delta.

ASIA-PACIFIC NEWS DIGEST

Australia backs off carbon tax

Australia's federal government has backed away from a "carbon tax" as a way to encourage industry to reduce greenhouse gas emissions. The federal environment minister's office confirmed yesterday that the measure – heavily attacked by both industry and some state governments – would not be pursued in cabinet later this month. Payment under the tax would have been linked to the amount of carbon dioxide gas emitted, and supporters of the levy argued it would help Australia meet its international obligations towards reducing carbon dioxide emissions, believed to be a cause of global warming. Australia has already agreed to stabilise carbon dioxide emissions at 1990 levels.

Although government ministers have blown hot and cold on the levy, Senator John Faulkner, the environment minister, was understood to be preparing a cabinet submission which included a potential carbon tax. However, this prompted an outcry from businesses, and in recent days, state governments in Queensland and Victoria have also said that they would not support such a move. *Nikki Tait, Sydney*

China whispers: 'After Deng'

An influential limited circulation newspaper has set Beijing abuzz by printing the long-taboo words "after Deng Xiaoping" in a front-page story. Officials and analysts said yesterday the appearance of the phrase in Friday's Reference News could not have been an oversight and showed the communist government to be preparing the public for the 90-year-old patriarch's death. "This is a very clear and important signal," a central government official said. Reference News, sold at many newsstands despite being a secret "internal publication", is a daily compilation of foreign news reports, many about China, prepared by the official Xinhua news agency for government officials.

The words appeared in a Reuter dispatch from Washington in which President Clinton's chief China adviser Winston Lord said a looming trade war over copyright piracy in China – and Mr Deng's death – would not affect the basic US policy of broadly engaging Beijing. *Reuter, Beijing*

Full Philippine bank licence

For the first time in nearly 50 years, Manila has granted full banking licences to foreign institutions. Mr Gabriel Singson, Philippine central bank governor, yesterday said Manila would decide within the next six months whether the banking sector would be further opened to foreign competition.The 10 banks which can set up full branches are Australia-based ANZ Bank, Development Bank of Singapore, Korea Exchange Bank, Japan's Fuji Bank and Bank of Tokyo, Bangkok Bank and Taiwan's International Commercial Bank of China, ING Bank of the Netherlands, Germany's Deutsche Bank and US-based Chemical Bank. The new banking law is a key element of President Fidel Ramos's two-year-old reform programme. *Reuter, Philippines*

Singapore tourism at record

Singapore's tourist arrivals hit a record high of 6.9m in 1994 and a new peak is expected this year. Tourist arrivals grew 7.4 per cent in 1994, led mainly by higher numbers of Asian and US visitors, said Mr Tan Chin Nam, chief executive of the Singapore Tourist Promotion Board. The arrivals are expected to grow by 5 to 7 per cent in 1995, he said. Average hotel occupancy rate in 1994 was 86.6 per cent, the highest in 10 years and up 3.2 percentage points from 1993. Room rates averaged S$146.20 (£64) in 1994, a 5.2 per cent rise from 1993 and a reversal of two years of declines. *Reuter, Singapore*

Italian model offered to India

Italian small and medium-sized enterprises could provide a model for the successful development of India's industrial economy, according to a new report prepared to coincide with this week's Indian Engineering Trade Fair. Italy is the "partner country" for the fair, which opened in New Delhi at the weekend, and Italian businessmen and academics will take the opportunity to explain the strengths and weaknesses of Italy's small and medium-sized companies.

A report prepared by Nomisma, the Bologna-based research group, and the UN Industrial Development Organisation says the Italian experience is especially relevant for "countries which need to develop a dynamic and competitive industrial apparatus". The growth of Italian small businesses has been one of the most important motors for Italy's recent economic growth, and the report says the Indian situation contains the seeds of similar development. *Andrew Hill, Milan*

INTERNATIONAL ECONOMIC INDICATORS: **MONEY AND FINANCE**

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.5	6.82	8.39	3.12
1988	4.3	5.2	7.65	8.84	3.61
1989	1.0	3.9	8.99	8.49	3.43
1990	3.7	5.3	8.06	8.54	3.60
1991	5.9	3.3	5.87	7.85	3.21
1992	12.4	2.4	3.75	7.00	2.95
1993	11.6	1.4	3.22	5.86	2.78
1994	6.2	1.9	4.66	7.07	2.88
1st qtr.1994	9.9	2.4	3.52	6.05	2.75
2nd qtr.1994	7.6	2.3	4.40	7.07	2.90
3rd qtr.1994	5.1	1.8	4.87	7.31	2.87
4th qtr.1994	2.3	1.0	5.85	7.83	2.91
February 1994	10.0	2.3	3.49	5.97	2.74
March	9.9	2.7	3.84	6.47	2.80
April	9.1	2.8	4.05	6.94	2.91
May	7.1	2.2	4.54	7.17	2.91
June	6.6	1.8	4.57	7.09	2.89
July	6.2	2.1	4.75	7.28	2.81
August	5.1	1.8	4.84	7.22	2.84
September	4.2	1.5	5.01	7.44	2.85
October	3.1	1.2	5.49	7.72	2.87
November	2.2	0.9	5.81	7.94	2.91
December	1.7	0.8	6.26	7.81	2.96
January 1995			6.23	7.78	2.92

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.22	0.48
1990	2.8	8.5	7.62	6.91	0.65
1991	5.2	2.0	7.21	6.37	0.75
1992	4.5	-0.4	4.28	5.25	1.00
1993	3.0	1.4	2.83	4.18	0.87
1994	5.4	2.9	2.12	4.20	0.78
1st qtr.1994	4.7	1.9	2.05	3.68	0.82
2nd qtr.1994	5.2	1.5	2.07	4.05	0.76
3rd qtr.1994	6.2	2.3	2.13	4.46	0.74
4th qtr.1994	5.6	2.9	2.23	4.58	0.78
February 1994	4.8	1.5	2.05	3.60	0.80
March	5.2	1.9	2.13	4.08	0.79
April	5.9	2.2	2.13	4.03	0.80
May	5.0	1.7	2.08	3.90	0.78
June	4.7	1.5	2.01	4.24	0.72
July	5.7	2.0	2.02	4.32	0.73
August	6.0	1.9	2.16	4.56	0.74
September	6.9	2.3	2.21	4.50	0.77
October	6.0	2.4	2.20	4.63	0.76
November	5.5	2.7	2.24	4.63	0.79
December	5.4	2.9	2.24	4.53	0.79
January 1995			2.23	4.60	0.80

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	9.9	8.7	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.11	6.94	2.22
1990	4.5	4.5	8.49	8.71	2.11
1991	5.1	5.6	9.25	8.44	2.38
1992	7.0	8.2	9.52	7.77	2.45
1993	8.4	7.9	7.28	6.44	2.11
1994	9.7		5.36	6.83	1.76
1st qtr.1994	11.1	11.6	5.88	5.93	1.75
2nd qtr.1994	11.4	10.5	5.28	6.71	1.72
3rd qtr.1994	9.6	8.4	5.01	7.16	1.76
4th qtr.1994	6.8		5.28	7.49	1.83
February 1994	11.0	11.9	5.91	5.87	1.77
March	10.6	11.4	5.84	6.27	1.78
April	11.6	10.8	5.61	6.43	1.68
May	11.2	10.7	5.20	6.63	1.67
June	11.3	10.0	5.07	7.05	1.80
July	9.7	9.0	4.97	6.90	1.79
August	10.1	8.1	5.00	7.10	1.74
September	9.0	8.3	5.07	7.53	1.76
October	8.8	7.3	5.22	7.54	1.84
November	6.5	6.2	5.21	7.48	1.82
December	5.2		5.40	7.45	1.83
January 1995			5.16	7.58	1.85

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	2.7	7.79	8.74	2.65
1987	4.1	11.6	8.26	9.46	2.75
1988	3.9	8.3	7.94	9.06	3.69
1989	7.5	10.0	9.39	8.79	2.88
1990	3.8	9.4	10.32	9.92	3.19
1991	-4.9	2.3	9.62	9.03	3.58
1992	-0.2	5.2	10.36	8.57	3.55
1993	1.4	-2.9	8.55	6.75	3.21
1994			5.85	7.20	2.99
1st qtr.1994	2.8	-5.0	6.29	5.99	2.85
2nd qtr.1994	1.7	-4.3	5.73	7.03	2.97
3rd qtr.1994	2.7	-1.0	5.62	7.69	3.05
4th qtr.1994			5.74	8.10	3.10
February 1994	3.0	-4.7	6.30	5.93	2.81
March	2.8	-5.0	6.25	6.37	2.90
April	5.8	-4.1	6.01	6.65	2.89
May	1.2	-4.7	5.65	6.94	2.88
June	1.7	-4.3	5.57	7.48	3.14
July	4.6	-1.9	5.65	7.38	3.09
August	2.9	-1.3	5.59	7.61	2.96
September	2.7	-1.0	5.63	8.06	3.10
October	3.2	0.5	5.65	8.17	3.18
November	2.9	0.8	5.61	8.13	3.08
December			5.97	8.01	3.06
January 1995			5.93	8.20	3.20

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.5	8.2	13.25	11.47	1.41
1987	10.4	9.8	11.32	10.58	1.94
1988	7.8	6.9	11.24	10.54	2.71
1989	7.1	8.2	12.41	11.61	2.46
1990	9.3	9.1	11.98	11.87	2.84
1991	7.5	8.0	11.83	13.20	3.45
1992	6.7	7.5	13.88	13.29	3.63
1993	4.6	7.1	10.22	11.23	2.35
1994	6.7	5.7	8.48	10.55	1.67
1st qtr.1994	7.8	7.7	8.42	8.99	1.80
2nd qtr.1994	8.9	7.3	7.98	9.64	1.54
3rd qtr.1994	8.2	5.0	8.68	11.42	1.58
4th qtr.1994	3.6	3.0	8.82	12.11	1.75
February 1994	7.4	7.6	8.37	8.78	1.74
March	9.6	8.5	8.43	8.46	1.77
April	10.2	8.4	8.11	9.07	1.58
May	9.2	7.2	7.80	9.38	1.49
June	7.4	6.3	8.03	10.46	1.57
July	7.9	6.4	8.43	10.70	1.54
August	5.8	4.9	8.93	11.48	1.58
September	4.8	3.8	8.66	12.03	1.61
October	4.2	3.3	8.76	12.08	1.71
November	3.9	2.9	8.68	12.04	1.74
December	3.5	2.7	9.03	12.22	1.79
January 1995			9.08	12.39	1.68

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	4.0	15.4	11.02	9.97	4.35
1987	4.7	15.2	9.77	9.52	3.60
1988	6.8	17.3	10.41	9.69	4.48
1989	5.9	17.6	13.96	10.30	4.36
1990	5.3	18.1	14.82	11.53	5.07
1991	2.4	7.9	11.56	10.04	4.97
1992	2.4	5.1	9.73	9.09	4.91
1993	4.8	3.8	5.99	7.40	4.01
1994	6.4	5.0	5.57	8.00	3.94
1st qtr.1994	5.4	5.4	5.31	6.72	3.57
2nd qtr.1994	6.6	5.4	5.23	8.12	4.00
3rd qtr.1994	6.7	4.8	5.55	8.57	4.03
4th qtr.1994	7.0	4.4	6.19	8.60	4.16
February 1994	5.4	5.4	5.27	6.61	3.49
March	5.6	5.6	5.23	7.29	3.74
April	6.0	5.5	5.29	7.66	3.67
May	6.9	5.2	5.22	8.13	3.96
June	6.9	5.5	5.18	8.54	4.16
July	6.5	4.8	5.29	8.38	4.11
August	6.3	4.8	5.58	8.62	3.94
September	7.2	4.9	5.76	8.80	4.04
October	7.3	4.1	5.98	8.71	4.14
November	7.1	4.5	6.13	8.58	4.12
December	6.7	4.5	6.46	8.53	4.23
January 1995	6.4		6.64	8.66	4.22

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

NEWS: INTERNATIONAL

Peres insists on security link to peace

By Julian Ozanne in Jerusalem

Israel said yesterday any progress in peace talks with Palestinians was directly linked to tangible security measures taken by the Palestinian self-rule authority against extremists who attack Israelis.

Mr Shimon Peres, Israeli foreign minister, said in Washington Israel was "waiting to see the Palestinian performance against terror and that will reopen a continuation of negotiations".

Mr Peres said Israel had presented specific security demands to the Palestinians. The Israeli public has been subject to attacks by Palestinian groups opposed to the peace agreement.

Israeli officials said the security measures included increased Palestinian policing; emergency courts to prosecute extremists involved in attacks; granting extradition of suspects to Israel; a standing committee to fight extremists; and a determined effort by Palestinian leaders publicly to condemn the attacks.

"We said the things would be examined not on the basis of their being uttered but their being done, because without this we won't be able to return to normalising relations," Mr Peres said.

Mr Peres' remarks came despite Israel's agreement with the Palestinians in Washington on Sunday to negotiate promptly agreements to redeploy Israeli troops in the occupied West Bank and to hold Palestinian elections.

His statement underlined a widespread belief in Israel that Sunday's meeting between Israel, Syria, Jordan and the PLO, hosted by US President Bill Clinton, had not achieved a breakthrough in the stalled Israeli-Palestinian peace process.

The Jewish state has maintained a three-week closure of its borders with the West Bank and the Gaza Strip, tantamount to an economic blockade, as a way of piling pressure on Mr Yassir Arafat, Palestinian leader, to meet Israel's security demands.

Hundreds of Palestinians yesterday marched through the streets of Gaza City demanding a lifting of the closure which prevents tens of thousands of Palestinian bread winners travelling to their jobs in Israel.

Mr Mohamed Qudwa, president of the Gaza chamber of commerce, said the closure was costing the Strip $4m (£2.5m) a day in lost wages and trade. "If the closure continues for another week, there will be dangerous repercussions which will jeopardise the whole peace process," he said.

An easing of the closure is due to be discussed when Mr Yitzhak Rabin, the Israeli prime minister, meets Mr Arafat at the Israel-Gaza border on Thursday. But Israeli officials said Mr Rabin was unlikely to make any dramatic gestures because the closure is popular in Israel at a time when public support for Mr Rabin and the peace process is at an all time low.

The officials also said Israel believed that the pressure on Mr Arafat caused by the closure and the suspension of peace talks had proved effective in getting Palestinian and Arab acceptance of Israeli security concerns.

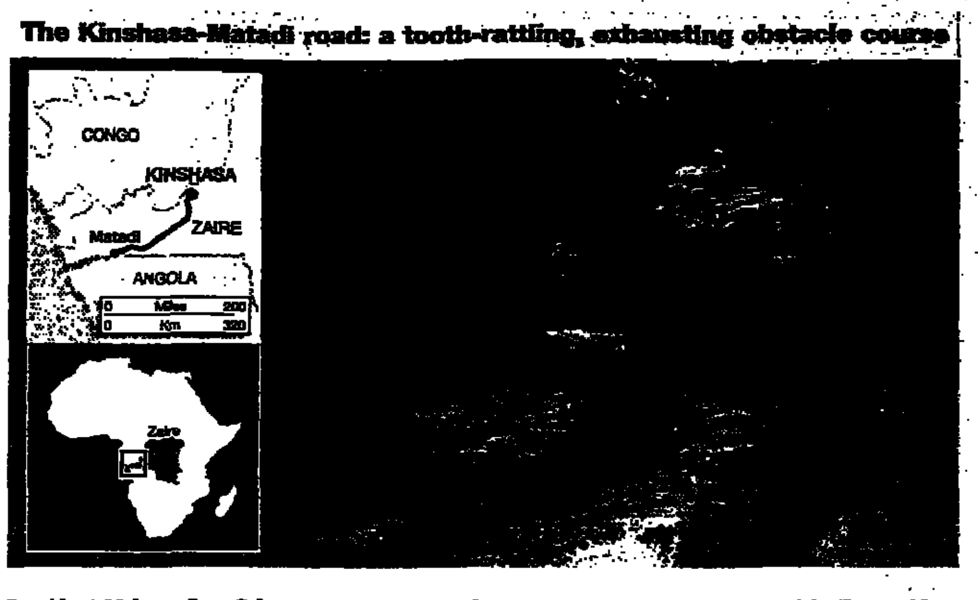
Nevertheless, Israel and the PLO yesterday said they had made progress on the detailed framework for Palestinian elections. Mr Yoel Singer, Israel's legal expert in peace talks, said the two sides met yesterday in Jericho and agreed there would be two ballot papers, one for the Palestinian council and one for direct election of the chairman of the council.

Mr Singer said many issues had yet to be resolved but the two sides would work "seriously and quickly" to formulate a detailed election agreement. However, the greater obstacle remains how to reach agreement on an Israeli troop withdrawal.

Kinshasa slips down road to isolation

Michela Wrong on the implications of Zaire's crumbling transport network

The Kinshasa-Matadi road: a tooth-rattling, exhausting obstacle course



The truck driver was standing by the side of the road, his shorts spattered with the red dirt of Africa.

He had spent three nights sleeping in his cabin, part of a queue of 80 trucks bogged down in a one-kilometre mud slick, waiting for a tractor to tow him to dry land. Part of the suspension had snapped in the process, so now he was hitching a lift to the nearest town, hoping to find the piece that would allow him to complete the nightmarish trip to Kinshasa.

Two years ago, the journey from Zaire's port of Matadi to the capital took five hours. Bored expatriates would head for Muanda, site of perhaps the world's most unexploited beaches, for long weekends.

Nowadays the 350km trip can take anything up to five days.

It is a tooth-rattling, exhausting obstacle course through lakes of orange slime, past trapped vehicles being worked on by sweating crews, around huge canyons where the rain has swept the road away.

Nobody gets their kicks on route nationale 1.

When Belgium granted independence in 1960 it left Zaire, a country the size of western Europe, with just 145,000km of roads. But they were in good repair: the legend goes that you could drive from Kinshasa to the southern city of Lubumbashi in a Volkswagen Beetle.

Since then the network has steadily disintegrated in what many local inhabitants believe has been a deliberate ploy by President Mobutu Sese Seko to reduce the central African state to a handful of isolated city enclaves, cut off from the outside world and each other.

The Rwanda Patriotic Front's rebel advance on Kigali would be impossible here – take away the roads and a coup is that much harder to engineer. Nobody can seize control of a nation whose unity exists only on paper.

Of the estimated 12,000km of road still in regular use, no stretch is more crucial than the Kinshasa-Matadi link and none has had more investment lavished on it.

The ageing railway between the two cities is plagued by a shortage of spare parts and the few functioning locomotives are prey to bandits. So the dried fish, wheat and beer that form part of the staple diet of Kinshasa's 5m inhabitants must come by road in huge trucks that the road was never built for.

Drivers who used to make three round trips a week are lucky to complete one every 10 days. "I used to make $2,500 (£1,600) on every round trip and $7,000 a week," says one driver. "What with repairs, bribes to soldiers and paying to be towed out of the mud, I now hardly make a profit during the rainy season."

When they eventually unload in Kinshasa transporters must raise food prices to cover their costs. As prices rise, aid agencies are noting the first signs of malnourishment in the capital's children.

Meanwhile, produce piles up in Matadi, dubbed the most expensive port in the world, as ships wait to be unloaded. Attention is focusing on the Mpozo bridge just outside the port, which shudders and sways as each lorry thunders past. "Once that bridge goes we might as well turn off the lights and go home, because the only way of getting produce into Kinshasa will be by air," says a coffee trader.

But the demise of route nationale 1 has implications beyond the strangulation of the capital. Mr Mobutu is pushing centrist prime minister Kengo Wa Dondo to stage elections in five months, calculating that early polls will catch the opposition unprepared and give him his best chance to win a popular mandate.

The briefest sortie out of Kinshasa past settlements untouched by electricity, running water, television or radio, brings home the enormity of the task. "How on earth can you stage polls with the roads in this state?" asks a diplomat.

"You'd have to fly the ballot boxes in by helicopter. Even then it would take weeks for people to come in from outlying villages, if they ever got to hear about elections. Campaigning would be impossible and so would preventing massive fraud."

Mr Mwando Nsimba, minister for public works and a Kengo ally, agrees. "In the most optimistic scenario, I can't see the country's main routes being repaired for at least two years. If anyone tries to organise elections before then, it'll be in order to cheat."

He is trying to prise money out of the European Union and Kuwait for repairs, but foreign governments are wary of investing in a state sector notorious for its corruption.

He himself admits there is a puzzling disparity between the level of funds spent on Zaire's roads and their continuing dilapidation. He recently suspended Mr José Endundo, head of the office responsible for national road maintenance, because of queries over the whereabouts of a $1.5m government grant.

Mr Endundo's business interests are a source of some amusement in Kinshasa. He is a big shareholder in Express City, one of the many booming new airlines reaping the benefits of the collapse of the overland transport system.

UK to open Turkmenistan embassy this year

By Robert Corzine

Britain is to open an embassy in Turkmenistan as part of its effort to increase the UK's political and economic profile in central Asia. The embassy is expected to open in the autumn.

Last week Mr Tim Eggar, industry and energy minister, led the first British business delegation to Turkmenistan. A number of agreements were signed covering areas such as investment promotion and protection, air services and energy sector co-operation.

Britain has also agreed to double the value of its export cover to Turkmenistan.

Members of the British delegation said they were convinced that Turkmenistan, the most southerly of the former Soviet republics, is determined to lessen its dependence on trade routes through Russia by opening up new links, including a railway, to the south.

The Turkmenistan government's priority is to develop the country's energy sector, which boasts natural gas reserves five times the size of those found off the UK. Mr Eggar said the Turkmenis appeared determined to push ahead with a multi-billion dollar project to ship gas to Turkey via a pipeline through Iran. Financing the pipeline is likely to be problematic, however, because of the US government's resistance to large-scale investment in strategic sectors involving Iran.

Mr Eggar said there were no concerns about British companies becoming involved in such schemes.

The Turkmenistan government is also looking into the feasibility of exporting electricity to Turkey, a project with lower capital costs than the natural gas scheme.

● Chevron, the US oil company, is to cut sharply its capital spending on the Tengiz oil field in Kazakhstan. The company said the 1995 capital budget for Tengizchevroil, its 50-50 joint venture with the Kazakh state oil company, had fallen to $50m (£32m) compared with $360m last year.

Production capacity is 90,000 barrels a day and could reach 130,000 b/d by the end of the year. But disputes with Russia over export quotas and failure to agree on a new export pipeline mean exports are running at only 65,000 b/d.

Mandela allows Boesak to withdraw

By Roger Matthews in Cape Town

President Nelson Mandela yesterday accepted an offer by Mr Allan Boesak to withdraw as South Africa's ambassador designate to the United Nations in Geneva. Mr Boesak, one of the most prominent campaigners against apartheid in the 1980s and a political ally of Mr Mandela, is being investigated by the Office of Serious Economic Offences.

The inquiry follows allegations by a Johannesburg law firm, acting on behalf of Scandinavian charities, that Mr Boesak had misappropriated substantial sums of money from his Foundation for Peace and Charity.

Mr Boesak announced yesterday that he was also to sell his Cape Town house to pay off the foundation's bank overdraft. He has denied any wrongdoing and said yesterday he remained ready to serve the government if asked.

Meanwhile, Mr Mandela's estranged wife Winnie, the deputy minister of arts and culture, sought to damp the row which had erupted over her criticism of the government of national unity. Mr Mandela had threatened to sack her if she did not retract her accusation that the government was doing more to placate whites than to redress the injustices of apartheid.

Mrs Mandela responded yesterday that she had not intended to insult or embarrass the government. All she had been trying to do, she said, was to reassure the black population that the government did still care about them.

"The impression of the people is that we neither care nor know about these things. I was trying to correct that perception. If in so doing I created a different impression, that was not my intention," said the letter, a copy of which was obtained by Reuters.

Senior African National Congress officials said earlier they expected Mrs Mandela to retract her remarks, but the letter stopped short of this.

NEWS: WORLD TRADE

Valentine boost for blossoming Nigerian growers

By Paul Adams in Lagos

When amorous shoppers go in search of flowers on St Valentine's Day today they could be buying roses from Nigeria.

Few would associate Vega or Samurai (red), Paris or Diplomat (pink), and Confidence (white), with tropical west Africa. But Heleena Farms on Nigeria's Jos plateau grows all these famous roses under glass, flying them twice a week to the world's largest flower market, Aalsmer auction in the Netherlands.

The export season is from October to May when the Europeans produce almost no roses. As the only commercial rose producer in West Africa, Heleena Farms has lower freight costs to the European market than established African rose exporters in Kenya and Zimbabwe.

Mr Tony Mills, the managing director, is a former civil engineer. "We built the first greenhouse ourselves from local materials. We found teak at an old British plantation south of Jos but we had to cut and transport the timber ourselves," he said.

"Cut roses have to be kept at two degrees centigrade," said Mr Steve Godwin-Brown, co-founder of Heleena Farms. "They won't survive if they are kept on the tarmac so we have got permission to take our lorry on to the runway and make sure the roses go straight on to the aircraft."

Initial technical problems have been overcome and the farm now employs a Dutch rose expert who is improving the quality. The farm expects to produce 1.5m rose stems per hectare until May and to average a price of 55 Dutch cents (21p) a stem. "We harvest three or four times a day, 365 days a year," said Mr Godwin-Brown. "Visitors say they like the red roses, but to us it is a question of how many flowers per metre and what is the price. It is not a romantic business."

Brussels plans reappraisal of Lomé links

By Caroline Southey in Brussels

The European Union commissioner responsible for the Lomé agreement has given notice of his intention to conduct a radical reappraisal of the developing world's most important aid and trade convention.

In an interview with the Financial Times, Mr Joao de Deus Pinheiro, the new EU commissioner for Africa, the Caribbean and Pacific (ACP) countries, called for a new relationship with the 70-member group. The EU expects gradual elimination of preferential trade tariffs, said Mr Pinheiro. He warned the EU was under pressure from some member states to cut aid, while there is broad agreement on the need to impose tougher conditions on its disbursement.

The Lomé convention, first signed in 1975, provides the most generous preferential access to markets offered by the EU to any trading partner. It replaced earlier pacts signed in 1963 and 1969. Among the beneficiaries are 40 of the world's poorest countries. What had to be forged, he said, was a relationship which relied less on trade preferences and concentrated more on fostering competitiveness: "The erosion of preferences as greater trade liberalisation takes hold is a fact.

"There has to be greater effort on our side to support measures which will improve the trading positions of these countries, to make them more competitive."

The current agreement, Lomé Four, ends in 1999, and a mid-term review is due to be completed this month. The commissioner, a former Portuguese foreign minister and previously commissioner for internal political relations, was speaking before this week's meeting in Brussels of EU and ACP ministers who are conducting the review, which is due for completion by the middle of March.

In his interview, Mr Pinheiro acknowledged that there was pressure from EU members to cut aid levels.

The Commission, backed by France, has tried, so far without success, to get an agreement for an Ecu 14.3bn (£11.4bn) package for the European Development Fund, which offers loans at concessional rates to ACP countries. Some member states, however, notably Britain and Germany, have made clear their reluctance to maintain support at current levels.

The outcome of the present debate could result in the first cut in real terms in the size of the EDF. Mr Pinheiro, however, was anxious not to make the transition to the post-Lomé era too painful. "This is the very minimum we can give," he said, referring to the ECU 14.3bn facility.

"We have to send the right signals to the countries that desperately need our support given the changes they will face in the future," he said.

While it is clear that there will be a steady reduction of trade preferences, the EU is prepared to offer tariff cuts and other assistance to ACP agricultural producers.

Mr Pinheiro's comments will reinforce ACP concern that individual European members are diverting more of their aid to eastern Europe and Russia.

Samsung and NEC make virtue of necessity

Michiyo Nakamoto and John Burton on co-operation in the world semiconductor market

The recent agreement between NEC, the Japanese electronics company, and Samsung, South Korea's largest semiconductor manufacturer, to produce semiconductor chips jointly in Europe is the latest example of what the Koreans call "sleeping with the enemy" and the Japanese call "helping each other out".

NEC's agreement to provide Samsung, a competitor in the memory chip market, with 100,000 chips a month, will enable Samsung to avoid high European Union tariffs on semiconductor imports.

On the surface, the deal in Europe makes NEC look like a generous partner, willing to put its own interests aside to supply Samsung with memory chips, a precious product these days, given strong worldwide demand.

However, the market for dynamic random access memory (D-Ram) chips has doubled in the US in the past three years. In Asia, outside of Japan, the market has grown two-and-a-half times, while the European market is up 60 per cent, says Mr Shigeki Matsue, vice president of the semiconductor group at NEC. Even in Japan, where the recovery has been weak, the market has grown about 18 per cent.

Demand has been so strong, in fact, that NEC cannot meet its own internal needs entirely on its own, Mr Matsue notes. Its agreement to supply Samsung in Europe serves a practical need – in an environment in which semiconductor makers are scrambling to supply their customers, NEC too has to rely on Samsung for certain memory chips needed by its computer division.

"It is a way of helping each other out," says Mr Matsue. Although the companies compete intensely, they also need each other as a second source in times of strong demand.

Even when demand is relatively weak, NEC's divisions which use semiconductors are careful to double-source in case in-house supplies become unavailable.

Of the world's 10 largest manufacturers of current generation 4-megabit D-Rams, six are Japanese and three are Korean, so it is no surprise they work closely in a world requiring second sourcing.

The US-Japan semiconductor negotiations, which have put pressure on Japanese users to buy foreign-made chips, have also helped to increase co-operation between Japanese and Korean manufacturers.

Mr Matsue says that many of NEC's customers need to increase procurement from non-Japanese makers to satisfy US demands that the share of imported semiconductors exceeds 20 per cent of the total Japanese market. "So we incorporate Samsung's products into our products," he says.

The dominance of Japanese and Korean companies in the memory chip market has encouraged co-operation between the two countries' industries in production as well, where soaring costs have made investments in new facilities prohibitively expensive for many companies to commit on their own.

"Such technical alliances are part of a global trend in the semiconductor industry," says Mr Han Il-suk, electronics analyst for BZW Securities in Seoul. "The goal is to disperse risks associated with these projects, which involve huge amounts of cash and are subject to market volatility.

"The Korean-Japanese alliances are designed to take advantage of each other's strength for their mutual benefit. The Japanese are strong in chip design, while the Koreans excel in the production process," he adds.

Another reason Samsung has attracted alliances is its financial strength. Samsung Electronics reported net profits of $1bn for 1994 because of its fast growing exports of its D-Ram chips.

"Samsung is an attractive partner because our finances are quite strong and we have the ability to invest quickly in development projects and new manufacturing operations," says Mr Nam Doo-woo, senior managing director at the strategic planning department of Samsung Electronics.

In return, Samsung hopes that the Japanese alliances will help it acquire semiconductor technology that it lacks. "It is helpful to co-operate with Japanese because the Japanese have greater expertise in the non-memory chip field," says Mr Nam.

The appeal of such alliances for Japanese companies is that they enable them to secure a product without the necessary but costly capital investment.

For Japanese makers which have seen their cost competitiveness battered as a result of the yen's appreciation, it is becoming increasingly difficult to justify producing consumer electronics goods, such as lower-end TVs and VCRs, in Japan where labour costs are among the highest in the world.

At the same time, Japanese companies are hoping to focus their energies at home on more products with high value added.

Co-operation between Korea and Japan continues in other areas. The most significant example is Nissan's agreement last year to provide technology for Samsung's planned entry into the car industry by 1998.

Nissan made the agreement in anticipation of Korea's dropping its ban on Japanese car imports by 1998 and Samsung's proving a useful ally in its penetration of the Korean car market. Samsung promised that more than half its car production would be for foreign markets, reducing its threat as a potential competitor in the Korean market.

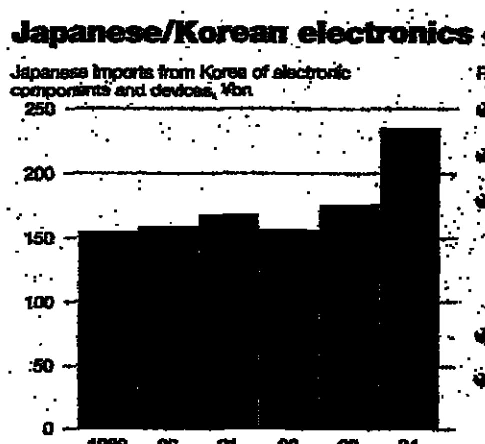
In memory manufacture, however, the Koreans have come close enough to state-of-the art technology to stir a sense of alarm among Japanese makers. "For a long time, the Japanese ignored the Koreans but they can't ignore them any more," says one industry official. "There's been a real change in attitude over the last two years, a grudging respect."

In fact, the strength that their neighbours across the Sea of Japan are beginning to exhibit has encouraged Japanese companies such as NEC to try to tap that expertise. In addition to the production deal, NEC has agreed with Samsung to exchange information on developments in advanced generation 256-megabit D-Ram technology.

"We evaluate Samsung very highly, as I believe they do us," says NEC's Mr Matsue.

As technical advances in electronics become increasingly intricate and development costs spiral upwards, Japanese and Korean manufacturers are likely to further increase their co-operative ties.

Japanese/Korean electronics co-operation: the story so far



Source: Japanese Ministry of Finance

Recent alliances

● 1989 Hitachi/Goldstar Electron: supply of Hitachi memory chip design
● 1992 Toshiba/Samsung Electronics: joint development of flash memory chip technology
● 1993 Oki Electric/Samsung Electronics: co-operation in 16-megabit D-Ram development
NEC/Samsung Electronics: exchange of information on development of 256-megabit D-Ram chips
Fujitsu/Hyundai Electronics: co-operation in memory chip development
● 1994 Alps Electric/Goldstar: co-operation in development of advanced liquid crystal display technology
● 1995 Toshiba/Samsung Electronics: co-development of manufacturing processes for integrated circuits used in consumer electronics
NEC/Samsung Electronics: co-production of 4-megabit and 16-megabit D-Ram chips in Europe

Portugal damages threat on car plant

By Peter Wise in Lisbon

Portugal will demand more than Es60bn ($380.7m) damages from Renault if the French car maker closes a government-subsidised plant in southern Portugal where 760 jobs are threatened.

Mr Fernando Faria de Oliveira, Portugal's trade minister, said in a newspaper interview yesterday he would seek full legal compensation if Renault broke the terms of a 1977 investment contract by closing the factory in Setúbal, 50km south of Lisbon.

Renault has cast doubt on the future of the plant because of excess production capacity for the Clio car, produced at four other European sites. Production at Setu'bal has been cut from 240 Clios a day in early 1994 to 160. The workforce has been cut from 1,100 in 1992 to 760.

Mr José Rossi, the French industry minister, assured Portugal last month that no immediate closure was planned. But Renault has indicated that it may close the factory when the Clio model is phased out.

Half the Clios produced in Portugal are exported and half are sold in Portugal, where car sales fell 12 per cent in 1993 and 3.5 per cent in 1994.

Portugal says it provided the plant with more than Es49bn in subsidies between 1980 – when production began – and 1993. It owns a 30 per cent stake in the plant.

"We will make every effort to keep the Setúbal plant running and are prepared to support its modernisation and expansion," Mr Faria de Oliveira said.

Renault's net earnings from the plant totalled Es24bn in the 13 years to 1993, according to the government. Profits exceeded Es1.5bn annually in the seven years to 1993 when the plant showed a loss of Es2.6bn. Its 1994 results have not yet been announced.

Renault operates two other plants in Portugal that are not threatened with closure. But Portugal has said it will freeze EU subsidies to one of these factories if the future of Setu'bal is not assured.

هكذا من الاصل

Saatchi scores court victory against agency

By Diane Summers, Marketing Correspondent

Round one in legal action that could drag on for years between Saatchi & Saatchi, the advertising group, and Mr Maurice Saatchi, its deposed founder, was won decisively yesterday by Mr Saatchi.

Mr Justice Jonathan Parker ruled in the High Court in London that Mr Saatchi was entitled to set up in competition with his former agency by soliciting clients and recruiting former Saatchi staff.

Judge Parker accused Saatchi & Saatchi of attempting "by the back door" to stop Mr Saatchi establishing his new agency. "The back door is firmly closed," he added.

Saatchi & Saatchi had been seeking an injunction against Mr Saatchi on the grounds that he had induced three senior executives to breach the terms of their contracts by joining his new agency and, unless legally restrained, would poach more staff.

Judge Parker rejected arguments that the executives had broken their contracts, or that Mr Saatchi had attempted to persuade them to do so.

The three executives, Mr David Kershaw, Mr Jeremy Sinclair and Mr Bill Muirhead, have already given undertakings that they will not pitch for clients or recruit staff during their "gardening leave", which runs until a full trial, now likely in May. Judge Parker said there was no need for an injunction to be granted because these assurances were already adequate.

Maurice Saatchi: injunction move against him was blocked

Saatchi & Saatchi said it would provide further evidence in the main action that Mr Saatchi induced the three to breach their contracts and conspired with them to injure the group's business.

Mr Kershaw said after the hearing that, in spite of the undertakings he and his colleagues had given, the three were free to negotiate with other advertising companies about global collaboration – discussions were in progress with three networks, he said – and to talk about alliances with media-buying companies. The New Saatchi agency, as it has been dubbed, will need to join forces with a media-buying company and be able to show it can operate worldwide if it is to win the £60m ($93m) British Airways account that it is pitching for against Saatchi & Saatchi.

Mr Kershaw said he did not understand why Saatchi & Saatchi was seeking to "strangle Maurice's company at birth". He added: "If they thought he was so awful they had to fire him, why don't they just let him compete?"

Saatchi & Saatchi said: "This was a skirmish in the war. It's not the war itself." It said that one of its main objectives, to keep Mr Kershaw, Mr Sinclair, and Mr Muirhead "out of the market," had been achieved.

Controversy that surrounded US conference haunts sessions opening in London today

Geneticists to examine link with crime

By Clive Cookson, Science Editor

A conference on the Genetics of Criminal and Anti-social Behaviour which opens in London today will hear the latest evidence in the often-controversial "nature versus nurture" debate.

Ten of the 13 speakers are from the US, where public pressure forced the US National Institutes of Health to cancel a conference on the subject in 1992 after opponents of the research detected racial overtones in some of the proposed contributions.

After three days of closed sessions in London there will be an open meeting at the Wellcome Trust on Friday.

"It is now obvious that no behavioural tendency is ever all genetic or all environmental," said Dr Gregory Bock of the Ciba Foundation, the conference organiser. "The main emphasis in contemporary research is on understanding how genes and environment work together to determine risk factors or protective factors."

A group of 12 British academics and activists is putting last-minute pressure on the Ciba Foundation to "make the programme more balanced".

Dr David King, editor of GenEthics News and organiser of a protest letter to the Ciba foundation, said: "The current balance of speakers gives the impression that the genetic causes of crime are uncontested – and that's dangerous. We need to have a criminologist, even a biologist who is critical of genetic explanations of crime, on the programme."

But the conference chairman, Sir Michael Rutter of the Institute of Psychiatry in London, said the point "is to focus on the science rather than the politics, while showing a sensitive concern for the ethical and legal issues".

At a pre-conference press briefing yesterday speakers were anxious to emphasise that, as Sir Michael put it, "there can be no such thing as a gene for crime; that is not how genes operate". Even a strong predisposition to violence and aggression would result in crime only under certain circumstances.

Dr Gregory Carey of the Institute of Behavioural Genetics, University of Colorado, said seven studies comparing the behaviour of identical and fraternal twins showed that genetic factors as a whole were responsible for 40 to 50 per cent of criminal violence.

The scientific process of identifying specific genes that predispose to violent behaviour, in humans and animals, is just beginning. Dr Carey predicted that so many genes would be involved that it would be impractical to "treat" criminal behaviour through genetic engineering – even if action were justified ethically.

But other participants said there were good prospects for developing drugs to control excessive aggression, once the responsible genes had been found. The clearest example so far of a genetic link with aggression is an extended Dutch family studied by Professor Han Brunner of Nijmegen University Hospital. Men in the family who inherit a particular mutation in the gene for a brain enzyme called monoamine oxidase (MAO) have shown "impulsive aggression" including arson and attempted rape.

In such families, where a single genetic defect is found, it would be reasonable to offer antenatal genetic testing and counselling, Dr Goldman said. Affected couples would then have the option of terminating the pregnancy if the foetus was carrying a genetic predisposition to violence and aggression.

Taiwan group chooses Welsh path into Europe

A Taiwanese manufacturer of telecommunications equipment announced yesterday that it had chosen Wales for its first investment in Europe, Roland Adburgham writes from Cardiff.

Ringtel Electronics (UK) is to create 100 jobs in a £2.45m ($3.80m) investment at a 5,000 sq metre factory provided by the Welsh Development Agency. The project is being assisted by state aid distributed by the UK government's Welsh Office. The amount has not been disclosed.

The factory will make telecommunication connectors and cordage for UK and European customers including Sun Electronics of Japan and Alcatel Alsthom, the French transport, telecommunications and engineering group. Production is due to start later this year. The Ringtel decision is the first success of a Welsh campaign to win investment from Taiwan.

Ringtel, a family-owned group with 180 employees in Taiwan, was approached by the Welsh agency's representative in Taipei, and Mr David Rowe-Beddoe, the agency's chairman, visited the company's headquarters during the course of negotiations which lasted a year.

Ringtel said yesterday: "This will be our first investment in Europe and our board thought long and hard before deciding that Wales would be the right choice." The Welsh agency said a second Taiwanese investment was "in the pipeline".

UK NEWS DIGEST

Mercury attacks BT on telecoms competition

The structure of the UK market is denying competitors of British Telecommunications opportunities to weaken its dominance, says Mercury, BT's chief domestic rival. The fact that BT still has the only nation-wide telephone network makes it difficult for effective competition to flourish, adds Mercury. BT is a former state utility and Mercury is 80 per cent owned by Cable & Wireless of the UK and 20 per cent by Bell Canada.

Mercury suggests splitting BT into two companies, one providing the network and the other telecoms services. BT's competitors would then be free to buy transmission capacity from the network company on equal terms with BT and with each other. BT would be prevented from unfairly subsidising its own services by European Union competition law.

Mercury's argument is outlined by Mr Gareth Locksley, its director of regulatory strategy, in a paper to be given today. He will be speaking at a conference on a discussion document published last year by Oftel, the industry watchdog. The purpose of the paper is to review the options for regulatory control of the UK telecoms industry beyond 1998.

Mr Locksley complains that in the decade since liberalisation, little has changed and that effective competition is absent. BT retains 90 per cent of the market; other licensed operators compete chiefly for a share of large companies' business by offering discounts on BT's pricing structure, an approach which leaves no room for innovation. *Alan Cane*

First Daewoo cars may be delayed on dockside

The first 1,200 South Korean-built Daewoo cars intended for sale in the UK have arrived at Bristol docks. But there is little prospect of them going on sale next month as originally intended. The plans of Daewoo, Korea's third-largest vehicle maker, to use the UK for a pioneering system of selling new cars through a network of Daewoo-owned "supermarkets" have been disrupted by the departure – for reasons still unexplained – of UK managing director Mr Leslie Woodcock.

However, speculation that it could be mid-year before the company's Nexia and Espero ranges reach their first buyers is being dismissed as pessimistic by Daewoo Cars, the wholly-owned UK importer. A further 3,300 cars destined for sale in mainland Europe have also been unloaded at a purpose-built import centre in Bristol, south-west England, in which Daewoo is investing £5m. *John Griffiths*

Companies are accused of doubling 'hidden' costs

Delivery charges on new cars have almost doubled in the past four years and can be seen as a hidden technique by manufacturers to raise prices without appearing to do so, according to CAP, the trade price monitoring organisation.

CAP says in its latest "black book" used-car price guide: "The time has come either to scrap such charges or come clean and include them in the sticker price of cars so that everybody – not least the customer – knows exactly where they stand." Private buyers last year paid an extra £380m for delivery as charges rose to an average £450 per car compared with £230 four years ago, says the black book's editorial director, Mr Andrew Wilkinson. *John Griffiths*

Farmland value up 19% as recovery quickens

The value of UK farmland jumped by an average of 19 per cent last year to levels last seen at the end of the property boom in 1989, Savills, the land agents, said yesterday. The rise took the recovery in farmland values to 29 per cent since the low point of mid 1993. Good quality arable land has enjoyed the biggest recovery since mid 1993, with increases of up to 40 per cent as farmers seek to expand in the face of short supply. Fuelling these rises was the devaluation of sterling in 1992 and 1993, which drove up the value of Ecu-based subsidies received by UK cereal farmers. In addition, the amount of land available has been restricted by set-aside, the policy under which cereal farmers are paid to leave some of their fields uncultivated to cut production. *Alison Maitland*

City watchdog set to rule: The Personal Investment Authority, the watchdog to protect the private investor, is today likely to press ahead with completing guidance on how life companies and independent financial advisers should identify and compensate the victims of bad pensions advice. Today's board meeting comes less than two weeks after a group of independent advisers won the right to seek a judicial review of plans put forward by the Securities and Investments Board, the chief City of London regulator, for reviewing pensions business.

Banana boat blaze: A cross-Channel ferry went to the aid of seamen on a burning banana boat off the English coast yesterday. The 200 passengers watched from the deck of P&O's Pride of Bruges as the crew helped fight a fire on board the Shofu, which was carrying 2,241 tonnes of bananas from Ecuador to Hamburg when the blaze broke out in the engine room. Ten of the 23 crew were taken off by lifeboat but were unhurt.

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Mad Bazooka ride and spaceflight simulators will be sited close to Piccadilly Circus

Sega picks London for theme park

By Scheherazade Daneshkhu and Simon London

Sega, the Japanese electronic games company, plans to build Europe's first virtual reality theme park at the Trocadero, the Piccadilly Circus building in the heart of London acquired last year by Burford Holdings, the UK property company.

The proposed indoor Segaworld complex will occupy about a quarter of the building, replacing vacant offices on the upper floors. Burford paid £94m for the Trocadero in September last year.

The 10,000 sq metre project will outrank Sega's only similar theme park, Joypolis in Yokohama, Japan, whose 9,000 sq m include such attractions as spaceflight simulators, using virtual reality headsets, and the Mad Bazooka ride, in which armoured bumper cars fire plastic missiles.

Sega and Burford will each invest £22.5m ($34.9m) in the proposed Segaworld. Burford hopes it will revitalise the Trocadero, which has been unprofitable despite its prominent location in the heart of London's theatre and cinema district.

Westminster City Council, the municipal authority for much of central London, has been asked to approve the change to leisure use.

The 1.5m visitors to Joypolis last year spent an average of £30 per head, although Sega expects London visitors to spend less. The partners have not decided which rides and games will be used at the Trocadero.

Sega is the world leader in large electronic games and rides, employing about 1,000 people in research and development. Mr Peter Searle, amusement theme parks director for Sega Europe, said the company had looked at other sites, but the Trocadero's site made it the most suitable location.

Originally a restaurant, the Trocadero reopened in 1984 as a shopping and entertainment centre under the ownership of Electricity Supply Nominees, the pension fund of the electricity supply industry.

It was bought by Brent Walker, the leisure group, with Power Corporation, the Irish property group, in 1987. Both companies suffered financial damage and the centre went into receivership.

If all goes to plan, Segaworld Trocadero will open in summer next year. Analysts say it is too soon to judge whether it will enlarge the leisure market or take significant business from other amusement centres such as Madame Tussaud's and the London Planetarium, which together had 2.8m visitors last year, and Rock Circus, which is also situated at Piccadilly Circus. Rock Circus is part of Tussaud's Group, which is part of Pearson, owner of the Financial Times.

Segaworld – to be equipped with escalators surrounded by a giant video screen – will be in the centre of London's tourist territory

Challenge is to entice the passing throng

Some 16m people visited the Trocadero last year, our Leisure Industries Correspondent writes. But few spent much time there and even fewer any money. The challenge for Burford Holdings, which acquired the 43,000 sq m property for £94m last September, is to keep a proportion of this passing business inside.

The proposed Segaworld theme park is the answer being put forward by Burford and its new joint venture partner, Sega Enterprises, the Japanese maker of electronic games. The two will invest £45m ($69.75m) on creating an electronic entertainment centre occupying the 10,000 sq m of vacant office space on the upper floors of the building.

The Segaworld will be the first of its type in Europe and a sister to Sega's 90,000 sq ft Joypolis in Yokohama, Japan, which attracts 1.5m visitors annually. The London Segaworld will have six interactive rides – in which the rider's actions help determine the outcome.

"You can recreate the big theme park indoors now," said Mr Nicholas Leslau, chief executive of Burford Holdings. He believes that the Trocadero's problems have been caused by a lack of direction. "It was designed to be a shopping centre in the early 1980s but people don't come here to shop; they come here to be entertained."

The pricing structure for entry to Segaworld is yet to be determined. Mr Leslau estimates that, because the centre's annual operating costs will be £8m to £10m, it will need to attract at least 1m visitors a year spending an average of £10 a head to break even.

Sega Enterprises considered a number of other London sites, including County Hall, the former home of the Greater London Council. This is owned by the Japanese developer Shirayama, which aims to create a leisure and commercial centre on the site.

Fire company making secretive trip to Iraq

By Jimmy Burns

A British company is to discuss the provision of fire-fighting equipment for Iraq's petrochemical and oil industries, which is not permitted by the UN sanctions regime, as part of a secretive trade delegation to Baghdad.

It emerged last night that Williams Holdings, the industrial conglomerate, is among some 22 companies which leave for Iraq via the Jordanian capital of Amman tomorrow after asking the organisers of the trip not to reveal their names.

Williams Holdings recently became the world's largest fire hose supplier with the acquisition of Angus Fire and other fire protection activities from the UK automotive components conglomerate, BBA Group.

Angus Fire, which had strong business links with Iraq before the invasion of Kuwait, has been in discussions with Baghdad since sanctions were imposed four years ago. The company's latest contacts with Iraqi officials will be focused on the supply of foam liquid and related hardware for the oil and petrochemical sectors.

The organisers of the trade delegation, a commercial lobby group called the Iraqi British Interests Group, said yesterday that the companies on the delegation had been issued with communication licences by the Department of Trade and Industry.

Under UN sanctions such licences limit UK companies to discussing with Iraq contracts covering food, medicine, and other essential humanitarian goods.

The DTI last night said it was not prepared to comment on which companies had received communication licences from it.

However, none of the communication licences issued to the companies on the delegation covered contacts relating to firefighting equipment for the petrochemical and oil industries, a DTI official said.

Mrs Ann Clwyd, Labour foreign affairs spokesperson, is to table questions to Mr Michael Heseltine, the trade and industry minister, about the IBI delegation and the licences granted to companies because of what she claimed was the ambiguous position being adopted by the government on Iraq and sanctions.

"The government can't have it both ways. It can't condemn the regime for human rights while allowing this kind of delegation to go ahead," she said.

The Foreign Office said yesterday that UK companies visiting Baghdad in the hope of improving wider economic and commercial ties once sanctions are lifted do not reflect government policy. "Those who think that the door to Iraq is going to open wide in a few months time are mistaken," said a Foreign Office official.

It also emerged last night that several companies, including Amersham International and Leyland Trucks, have turned down invitations to join the delegation.

Chairman deplores comments by Names

By Ralph Atkins, Insurance Correspondent

Efforts by the Lloyd's of London insurance market to win business are not helped by repeated speculation about what might happen if the market became insolvent, Mr David Rowland, Lloyd's chairman, told a committee of the House of Commons yesterday.

Expressing frustration at the argument of some lossmaking Names that their interests would be served best if Lloyd's ceased trading, Mr Rowland told the all-party Treasury committee that "every time we talk about these things, another client goes to our competitors."

The committee is investigating Lloyd's system of self-regulation which many Names – individuals whose assets have traditionally supported the insurance market – believe largely explains losses which have exceeded £7bn in recent years. Mr Rowland agreed that there was "at least a risk" that Lloyd's might become insolvent, but said such a risk was faced by "many distinguished insurance companies in the world".

He added: "We are in a tough, competitive business. I don't think that some of our leading competitors . . . are subject to what we are being subject to here."

Mr Rowland also revealed that Lloyd's is investigating setting up a new scheme to provide insurance cover against negligence awards for professional agents operating in the market.

Lloyd's regulatory board ordered in November a study into a replacement for the market in "errors and omissions" policies which collapsed in the early 1990s as Lloyd's enormous losses were reported. Mr Rowland said the market had disappeared because "risks were perceived to be too high at that time."

High-flyer Whittaker to leave Kingfisher in restructuring

By Neil Buckley and William Lewis

One of the City of London's highest-profile corporate affairs directors and a leading figure in the retail world, Mr Nigel Whittaker, is leaving Kingfisher after 13 years, as the troubled retail group cuts 40 of its 100 head office jobs.

Mr Tim Breene, appointed last February as board director responsible for group development, is also leaving. Both directors, who were on three-year rolling contracts, are eligible to receive substantial pay-offs. Mr Whittaker, with a basic salary of £295,000 ($460,200) a year, could have a package totalling more than £1m. Mr Breene's basic salary was £250,000 a year which could entitle him to a £500,000 payoff.

The management restructuring comes less than three weeks after Kingfisher, which owns the Woolworths, Comet, B&Q, and Superdrug chains in the UK and Darty in France, was rocked by the ousting of Mr Alan Smith, chief executive, and Mr James Kerr Muir, finance director. Sir Geoffrey Mulcahy, executive chairman, returned as chief executive.

Sir Geoffrey said yesterday that the head office changes resulted from a review launched in September, when Mr Jim Hodkinson, chief executive of B&Q, and Mr Philippe France's, the Darty chief executive, became the first operational heads to be appointed group board directors.

Results of the review became known late last week, and directors were consulted over the weekend.

"We are making sure decisions are made where they should be made, which is closest to where the customers are," Sir Geoffrey said. "Over the past few years, things had become a bit confused. We wanted to make sure the group was structured in such a way that the operating businesses were clearly responsible for their performances."

Sir Geoffrey said head office would remain responsible for overall strategy and performance monitoring, but functions such as internal audit and support services would be moved.

About 20 of the jobs cut from head office will be "devolved" to operating units, with the other half "considered for redeployment".

Lex, Page 16

INTERNATIONAL PEOPLE

Bentsen joins AIG board

■ Lloyd Bentsen, 73, former US senator and US treasury secretary, has joined the board of American International Group, the US-based international insurance group. He stepped down as secretary of the treasury in the Clinton administration last December.

■ Robert van der Meer, head of investments at Aegon, the Dutch insurer, is resigning from the executive board and joining Fortis, the Dutch-Belgian financial group. He will also become chairman of Fortis Investments Nederland.

■ Ray Seitz, 54, former US ambassador in London, a non-executive director of Shandwick, the international public relations firm.

■ Peter H Grassmann, chief executive of the Carl Zeiss Group from January 1.

■ Peter Hawkins, head of the ANZ Banking Group's New Zealand operations, has been appointed chief general manager Australian retail division. Steve Jones, an ex-McKinsey management consultant who joined ANZ two years ago and heads the Australian retail operations, has been appointed managing director ANZ Banking Group(New Zealand).

■ Chris Thom, 46, head of planning and strategic development at Midland Bank, is moving to New York to be executive vice president of franchise management at Mastercard International.

■ Keiichiro Shiojias, 63, who retired from Fuji Xerox in 1993, chairman of Varity (Japan), the Japanese subsidiary of the US industrial conglomerate.

■ R Barry Uber, president of Ingersoll-Rand's production equipment group, has been appointed president of the construction and mining group (CMG). Tjerk Bermon takes over as vice president, sales for CMG in Europe, the Middle East and Africa. He will report to Uber and will be based in Paris.

■ Rick Dobbis, 44, formerly president of the Polygram Label Group, president of Polygram Continental Europe. He succeeds Allen Davis who retired at the end of last year.

■ Cecil Duckworth, 56, chairman of Worcester Group, the UK domestic heating specialists, president of Bosch Heating Division. Bosch bought Worcester in 1992 and Duckworth is the first non-German to head a Bosch operating unit.

■ Victor Josebachvili, an Argentine national who has worked for Bankers Trust and Citibank, has been named head of mergers and acquisitions for Latin America at Chase Manhattan Bank.

■ Cynthia J Martin, 38, assistant to the chairman of Eastman Kodak. She replaces David L Swift, 36, who has been appointed general manager and vice president operations of Kodak's digital and applied imaging business.

■ Lars Christofferson, general manager of Ericsson's representative office in Vietnam, has been appointed managing director of Ericsson Telecommunications Romania Private. Per Karlberg, managing director of Ericsson Telecommunications in India, replaces Christofferson in Vietnam. Bo Almlöf, general manager of Perwira Ericsson in Malaysia, replaces Karlberg in New Delhi.

■ Terence D Martin, 51, chief financial officer at American Cynamid, has joined General Signal in the same capacity. He replaces Stephen W Nagy who is leaving the company.

■ Mark H Swartz, chief financial officer Tyco International, a leading manufacturer of fire protection systems. He replaces Terry L Hall who is leaving the company.

■ Henry Gluck has joined the board of ITT Corporation.

■ Peter Tomkins has replaced Norman Anderson as general manager, Grindlays Bahrain Bank, an associate of Australia's ANZ Banking Group.

■ Chris Fraser, 56, director of international investment at the Northern Development Company, has joined the Invest in Britain Bureau to fill the newly created post of regional director for Asia and the Pacific.

■ Thomas Stenebring, European sales director of Knight-Ridder Information.

■ Stephen E Karinshak, 51, vice president and chief information officer of W R Grace & Co.

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

TV advertising ban is upheld

EUROPEAN COURT

The European Court of Justice has ruled Community law permitted French regulations banning television broadcasters established in France from showing advertisements for supermarket petrol stations.

The ruling was a response to a question referred by the Commercial Court of Paris. It arose in proceedings between an import firm, Leclerc-Siplec, and television advertisers TF1 Publicite and M6 Publicite. TF1 and M6 had refused to broadcast an advertisement for Leclerc's supermarket service stations. The parties agreed French TV regulations prohibited the use of televised advertising by the distribution sector. The question was whether such regulations were precluded by Community law.

The question from the Paris court was phrased to cover all television advertising bans, not just the distribution sector. But the ECJ limited the question to the exclusion of the distribution sector from televised advertising. It said consideration of the prohibition on broadcasting televised advertising for other goods or economic sectors went beyond what was necessary to the outcome of the national proceedings.

The Court held national rules prohibiting televised advertising in the distribution sector exceeded the scope of the treaty rules on free movement of goods. The ECJ said the ban was not designed to regulate trade between member countries. The Court recognised such a prohibition may restrict the volume of sales, and therefore imports, in so far as it deprives distributors of a form of advertising their goods. But the conditions established by recent cases for treaty prohibition were not satisfied as the ban concerned selling arrangements which applied regardless of product to all traders in the distribution sector.

The Court explained the French rules concerned selling arrangements since they prohibited a form of promotion (televised advertising) of a method of marketing products (distribution). If such rules applied to all relevant traders operating in the national territory and affected equally the marketing of domestic and imported products, their application would not prevent or impede market access by imports any more than domestic products.

As there was no suggestion the French regulations required or favoured anti-competitive behaviour or reinforced the effects of a pre-existing agreement, the Court held the treaty competition rules did not apply. But it said member countries were obliged not to introduce or maintain measures, even of a legislative nature, which may render ineffective competition rules applicable to businesses.

Finally, the Court held that the French advertising rules were not precluded by the 1989 TV broadcasting directive intended to ensure freedom to provide cross-frontier television services.

The Court said the directive, therefore, required member countries from which broadcasts were made to ensure that broadcasters under their jurisdiction complied with its provisions. Member countries receiving broadcasts were equally required to ensure freedom of reception and not to restrict retransmissions of foreign broadcasts in the interests of regulatory objectives already covered by those provisions of the directive. Yet the Court confirmed member countries could apply stricter rules in areas covered by the directive to television broadcasters established on their territory.

Since the fields covered by the directive included the minimum provisions relating to televised advertising, the Court interpreted the directive to see if that general derogation allowing for stricter rules covered the French regulations. The Court found that certain specific exceptions relating to programming time, broadcasting procedures and purely national broadcasts, while not themselves applicable, did not exclude the general derogation. Although the recitals in the preamble to the directive suggested that only the interests of consumers could justify stricter rules, the Court held that the article in the directive itself was not so restricted and that the recital did not preclude justification of stricter rules by the protection of interest other than those of consumers.

C-412/93: Leclerc-Siplec v TF1 and M6 Publicite, ECJ 6CH, February 9 1995

BRICK COURT CHAMBERS, BRUSSELS

TECHNOLOGY

Touch screen shopper

The computer screen displays a 3D supermarket shelf piled high with boxes of breakfast cereal. All the big brands are there, and prices, discounts and special offers are prominently displayed.

The "shopper" touches the product on screen using his or her hand to get a closer look. A box can be turned with a magnifying glass tool to read the small print and check the ingredients, for example. Products can be put into a virtual trolley, or put back on the shelf.

The system, Visionary Shopper, is being used in parts of Europe and the US as a market research tool. Users are testing consumer responses to new products and promotions, such as money-off vouchers and free gifts.

Visionary Shopper mimics the supermarket shopping experience, allowing businesses to research product changes quickly and cheaply. Simple applications include testing consumer reactions to different sizes or to "buy two, get one free" offers. The expensive business of developing new packaging can also be tested on screen to assess consumer response before development costs are incurred.

The system is produced by Simulation Research, of the US. It was developed by Raymond Burke, associate professor of marketing at Harvard Business School. It is available in the US, Canada, Mexico, Germany, Austria and Switzerland. The company also plans to market the product in the UK.

Stephen Needel, president of Simulation Research, says: "Much of today's packaged goods marketing involves looking at scanner data to estimate future product performance; it's like trying to drive a car by looking in the rearview mirror. This technology allows consumers to buy in the same way that they would if they were in a store, thereby giving the marketer insight into product characteristics."

Rachel Miller

Dirty old business: the steel industry is searching for techniques that would cut down on expensive and polluting processes

Goodbye to the blast furnace

Andrew Baxter reports on an experimental project to transform traditional steelmaking methods

Achievement of one of the steel industry's most cherished holy grails – direct steel making – may be at hand, thanks to a black powder due to start shipping from Trinidad to the US this summer.

The powder is iron carbide, a new raw material for steel. It will be produced at the Trinidad plant – the world's first – following an \$80m (£52m) investment by Nucor, the US steel producer.

Last November, Nucor and US Steel announced they were teaming up to develop a new technology aimed at producing steel directly from iron carbide, cutting out expensive and environmentally sensitive parts of traditional integrated steelmaking.

"We'd be using nothing but iron carbide and oxide," says Kenneth Iverson, Nucor's chairman. "There would be no electric arc furnaces or blast furnaces."

It is a steel story rich in irony, linking US Steel, the biggest US integrated steelmaker, with the mini-mill pioneer whose low-cost approach to steelmaking has often made it a thorn in Big Steel's side.

It is one of a number of attempts at devising a direct steelmaking process. Without a blast furnace, there would be no need for the coke that is used in furnaces to reduce iron ore into the liquid iron from which steel is made.

That, in turn, would remove the need for the ovens which produce coke. The ovens are the dirtiest part of the traditional steelmaking process, producing a noxious cocktail of sulphur dioxide and other pollutants.

Other technologies are available, or being investigated, for direct smelting of iron ore into liquid iron. The Austrian Corex process uses iron ore and ordinary coal, thus cutting out the need for blast furnaces and coking ovens. Trials on a rival direct iron ore smelting system have been held in Japan.

But last year a US Energy Department-backed project, involving smelting iron and coal into liquid iron and then refining it into steel, was abandoned because it took too long and the steel quality was inconsistent.

The failure suggests Iverson is right to be cautious about the Nucor/US Steel project which also involves the US industrial gases company Praxair. "People have been trying to do this for 70 or 80 years, and nobody's done it yet," he says. "So I'm not holding my breath."

The project is still in a feasibility stage, which will probably run for another three to four months. It is going well, says Iverson, but only after it ends will the partners decide whether to cement the tie-up by building a \$50m demonstration plant. This would be sited next to a Nucor plant at Hickman, Arkansas.

Both the production of the iron carbide, and any resulting direct steelmaking process, are breaking new ground. In the Trinidad plant, cheap iron grains from Brazil, known as fines, are cooked in hydrogen and natural gas at about 1,100 deg F, and turned into iron carbide – it contains about 6 per cent carbon. Water formed by the combination of oxygen from the iron and hydrogen from the gas is reused.

Direct steelmaking with iron carbide would be a two-stage process. In the first stage the iron carbide would be placed in a chamber with oxygen. The heat generated by the reaction of the two turns the iron carbide into a liquid iron carbon alloy and generates carbon dioxide.

In a second chamber, the molten iron is exposed to more oxygen. This chemical reaction is also heat-generating, releasing enough energy to refine the iron into steel.

According to Gordon Geiger, a consultant working with US Steel on the project, the cost of liquid steel from the process would be about \$140-\$150 a tonne, or \$40-\$50 less than today's costs for an electric arc furnace or blast furnace in the US.

The process produces water, nitrogen and slag, but the only potentially harmful emission would be carbon dioxide. Geiger estimates this would be 282kg for every tonne of steel, but says it would be "such a rich stream" that there would be potential to recover it commercially.

Iverson says he does not know where the project may lead, and gives it a "50/50 chance at best" of succeeding commercially. But the reward is worth the risk, he says.

Martin Doble, of the London-based consultancy Beddows & Co, says there would be no question of a mass conversion by integrated steelmakers to the new process, because of the large volumes they produce. But it could extend the choice of technologies for new steel plants in Asia and North America, so long as natural gas and iron fines were readily available. Even if the direct steelmaking project fails, he points out, iron carbide can be used as one of a number of competing substitutes for scrap as the raw material for steel production in electric arc furnaces.

These substitutes, such as direct reduced iron (DRI) and pig iron, are aimed at reducing steel mini-mills' dependence on scrap, whose price is chronically volatile, and increasing the final quality of their steel.

That was the main reason why Nucor built the Trinidad plant and shipping port in the first place – a decision, says Iverson, that predated the US Steel tie-up by several years. The plant has produced iron carbide in small quantities, and is now shut down for modifications, but Iverson is confident it will be producing at least 320,000 tonnes a year of iron carbide by August.

But one big European steel producer says iron carbide is less controllable and versatile as a scrap substitute. As for its use in direct steelmaking, it says: "We've had a look at what we think Nucor and US Steel are doing, and don't think it will be any cheaper."

Patrick Gribbin on an innovative way of generating electricity

Power from the ocean's waves

A US company is to test a generator that converts ocean wave movement into electricity through plastic sheets anchored to the ocean bed.

The technology operates on the piezoelectric effect, whereby electricity is generated by the straining of certain materials, such as quartz and some plastics.

Ocean Power Technology, which is based in New Jersey, has signed an agreement with AMP, the US electricals company, to build a 1kW device for testing in the Gulf of Mexico in December.

At its offices in Princeton, OPT demonstrates the basic principle of the device with a small piece of plastic connected to a bulb by two wires. Shaking the plastic backwards and forwards, the bulb flashes on and off.

George Taylor, of OPT, says: "Imagine that piece of plastic being bent and stretched by waves and currents in the ocean environment and you have a generator capable of powering an average home."

The device was developed jointly by Taylor and Joseph Burns, co-founders of the company. Taylor's inspiration came from Stephen Salter, a pioneer in mechanical wave power generation.

"Reading a paper by Professor Salter about his work with mechanical generators got me thinking about how to use this new piezoelectric plastic that I was working with to generate cheap, pollution-free electricity from ocean waves," says Taylor.

Since then, advances in the efficiency of the piezoelectric plastic and the ease and low cost with which it can be mass-produced have made the material polyvinyldene fluoride (PVDF) a contender in the renewable energy field.

The single 1kW hydropiezoelectric (HPE) generator that will undergo testing weighs 400lb. It measures 50 ft by 1 ft, and is 1 in thick. Constructed from 100 layers of PVDF, the HPE generator hangs from a float on the surface, attached to an anchor on the sea bed. The stretching and bending motion, as the float bobs up and down on the waves, generates the electric current.

"Ultimately we can build a cluster of HPEs with enough power to provide electricity for a city of 250,000 people. This 100MW plastic power station would occupy about 5 sq km of ocean surface area and is expected to last for 20 years before it needed to be recycled, with virtually no loss of the basic material," says Taylor.

Piezoelectric materials have been in use for many years. HPEs have the capacity to transform mechanical forces (such as generated by ocean waves and currents) directly into electrical energy without complex mechanical systems. This is achieved by shifting the position of the molecules in the polymer plastic, when it is bent or stretched.

"You are dealing with the intrinsic electrical forces that exist in the crystal lattice that is the basis of all solid materials, the atomic structure of that material. As soon as you move the particles from their original positions, you are creating electrical forces," says Taylor.

"The high efficiency of PVDF is achieved by manufacturing the individual layers of the material with the molecules being lined up like soldiers on parade, all facing one way on the top surface and all facing the opposite way on the bottom surface. Bending or stretching the material pulls them all out of position and creates the electrical energy."

In recent years, large-scale, low-cost manufacturing processes have been developed for piezoelectric polymers with vastly improved electrical, mechanical and thermal properties.

Taylor calculates that 1lb of plastic will produce 2.5 watts of power. "The thicker the material the higher the voltage, the larger the surface area, the greater the ampage," he says.

The device's first test will use an HPE generator secured to a float and anchored 50 ft below the surface. It will provide electricity to charge the oil platform's batteries, which are currently handled by noisy diesel generators, whose fuel is shipped to the platform and stored.

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GREEK EXPORTS S.A.

(A Subsidiary company of "E.T.B.A. A.E.")

ANNOUNCEMENT

OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR PURCHASING THE ASSETS OF "GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E." NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 17 Panepistimoou Street, and legally represented, in its capacity as special liquidator of GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E., in accordance with Decisions No. 854/1.12.1994 and 74/23.1.1995 of the Piraeus Court of Appeal

ANNOUNCES

a Public Auction for the Highest Bidder for the purchase of the total assets, either as a whole or each of the four separate entities indicated below, of the company entitled GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E. (established at 76 Athens-Piraeus Street at Neo Phaleron, Attica) within the framework of article 46a of Law 1892/1990, supplemented by article 14 of Law 2000/1991 and modified and completed by article 53 of Law 2224/1994.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E. is a perpendicular and adaptable spinning and weaving unit which produces synthetic, mixed and woollen yarns, clothing material and knitwear. It has a dyeing - finishing installation for materials and knitwear, substantial technical know-how and a constant presence in the fashion market where it has a good reputation.

The company's assets for sale consist of the following four (4) self-contained units which are for sale either as a whole or each separately:

First entity: The company's main factory building (spinning & weaving mill) situated on 76 Athens-Piraeus Street at Neo Phaleron.

Second entity: The factory for processing yarns and materials (dyeing-finishing) situated at 3 Davaki-Pindou Street at Neo Phaleron.

Third entity: The factory producing woollen and synthetic yarns in the Nea Lampsaka area of Chalkis.

Fourth entity: Stocks of raw materials, ready and half-finished products, etc.

Detailed information on the company's assets included in each entity is to be found on pages 35-36 of the Confidential Offering Memorandum to which you are referred. It is to be noted that: a) the "GABRIEL" trade mark, the total claims by the company as well as the furniture and equipment in the Thessaloniki agency and in the Kallithea warehouse are included in the assets of the first entity and b) the machinery (58 spindles, etc.) which is in the factory of PIRAIKI-PATRAIKI CHALKIS WEAVING MILL A.E. is included in the assets of the third entity.

TERMS OF THE AUCTION

1) Interested parties are invited to receive from the Liquidator the Confidential Offering Memorandum dated 2/2/1995 and the draft Letter of Guarantee in order to submit a sealed, binding offer to the Kallithea notary public assigned to the auction, Mrs. Iordana Morfoniou (24 Harilaou Trikoupi Street, Athens, 5th floor Tel. & Fax: +30-1-362.6788) up to 1900 hours on Thursday 9th March 1995.
2) Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the specified time limit will not be accepted or considered.
3) The offers will be opened before the above-mentioned notary on Friday, 10th March 1995 at 1000 hours with the liquidator in attendance. Persons having submitted offers within the time limit are also entitled to attend.
4) Each interested investor can submit either one bid for all the elements of the company's assets, or separate bids for the purchase of one, two, three or all four (4) entities.
   The offers must state clearly if they concern the whole of the assets or separate entities, the offered price and manner of payment (in cash or on credit, the number of instalments and when they are to fall due, etc.) If there is no mention of a) the manner of payment, b) whether the instalments will bear interest or not, then it will be assumed that a) the amount will be paid in cash, and that b) the instalments will bear interest at the rate in force for Greek state bonds of one year's duration on the date of submission of the offer.
   Offers must not contain terms upon which their bindingness may depend or which may be vague with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale. The liquidator and the creditors have the right, at their incontrovertible discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than the others.
5) On penalty of invalidity, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, of indefinite duration, to the amount of two hundred and ten million drachmas (Drs. 210,000,000) if they concern the whole of the company's assets. If they refer to separate entities then the amounts are as follows: a) ninety million drachmas (Drs. 90,000,000) if the offer concerns the main factory complex on 76 Athens-Piraeus Street at Neo Phaleron; b) fifty million drachmas (Drs. 50,000,000) if it concerns the factory on 3 Davaki-Pindou Street, Neo Phaleron; c) forty million drachmas (Drs. 40,000,000) if it concerns the factory at Nea Lampsaka, Chalkis; and d) thirty million drachmas (Drs. 30,000,000) if the offer concerns the company's stocks.
6) Forfeiture of guarantee: In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
7) Return of letters of guarantee. Letters of guarantee submitted for participation in the auction shall be returned immediately after adjudication, except for the letter of guarantee of the highest bidder to whom it shall be returned on signature of the final contract.
8) Prospective buyers must submit, together with their offer:
   a) A five-year business plan of action for the operation, modernisation and development of the enterprise.
   b) An investment programme (height and type of new investments, time-plan for its implementation and manner of financing).
   c) Personnel employment policy and programme for guaranteed job positions (number, duration, time-plan).
   d) Data concerning the interested buyers with regard to their financial standing and their business activities to date.
9) Essential guidelines for the liquidator in judging the offers are, among others, the following:
   a) The height of the offered price.
   b) The number of guaranteed job positions for at least the first five (5) years after signature of the contract.
   c) The buyer's business plan and investment programme.
   d) The reliability, solvency and business experience of the prospective buyer.
   e) Any benefits accorded by the prospective investor to the unit's personnel.
   f) Guarantees provided by the buyer for any part of the sale on credit and for other obligations undertaken (job positions, new investments, etc.) through the contract.
10) The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the majority creditors as being the most satisfactory.
11) Prospective buyers of the three factories, with their offer, must undertake the obligation to keep the units operative for at least five (5) years from the date of signature of the contract.
12) For securing the payment of any amount on credit and all points contained in the business plans of prospective buyers (job positions, height of investments, time of starting, etc) as well as other terms agreed upon, the buyer must accept relative clauses and provide guarantees which will ensure adherence to all undertakings. In order to secure any part of the payment on credit (beyond the other guarantees provided) the buyer shall deliver to the liquidating company a letter of guarantee from a bank to an amount of at least 20% of the part on credit.
13) The Company's assets and all the separate fixed and circulating assets that make them up, such as immovables, movables, claims, rights, etc, whether they are to be sold as a whole or as separate entities, shall be transferred "as is and where is" and, more specifically, in their actual and legal condition and wherever they are on the date of signature of the final contract, regardless of whether the Company is operating or not.
14) The Liquidator, the Company under liquidation and its creditors who represent 51% of its total obligations, are not liable for any legal or actual faults or any incomplete or inaccurate description of the assets for sale in the Offering Memorandum.
15) Interested buyers must, on their own responsibility and due care, and by their own means and at their own expenses, inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale.
16) The Liquidating company and the Creditors bear no responsibility or obligation towards participants in the auction, both with regard to the evaluation of the bids, the selection of the highest bidder, the decision, if any, to cancel or repeat the auction and any other decision in general regarding the procedure and execution of the auction. The submission of a binding offer does not imply any right in the adjudication of the sale and, in general, participants do not acquire any right, claim or demand from the present announcement and from participation in the auction, against the liquidating company or the creditors for any cause or reason.
17) All costs and expenses of every nature for participation in the auction and for the transfer of ownership, as well as all taxes, duties, dues, state fees or third party fees that may be imposed (beyond the exemptions foreseen by law) relating to participation in the auction and to the sale contract, anything following the sale, transcriptions and any other acts, are borne exclusively and alone by the interested buyers and the highest bidder respectively.
18) Participation in the auction implies acceptance by the prospective buyer of all the above terms of the present announcement.
19) The present announcement has been drafted in Greek and in English in translation. In any event, the Greek text shall prevail.

For any further information and for the Confidential Offering Memorandum, interested parties may apply to:

a) GREEK EXPORTS S.A.,
17 Panepistimiou Street (1st floor), Athens, Greece, Tel: +30-1-324.3111 - 115 Fax: +30-1-323.9185

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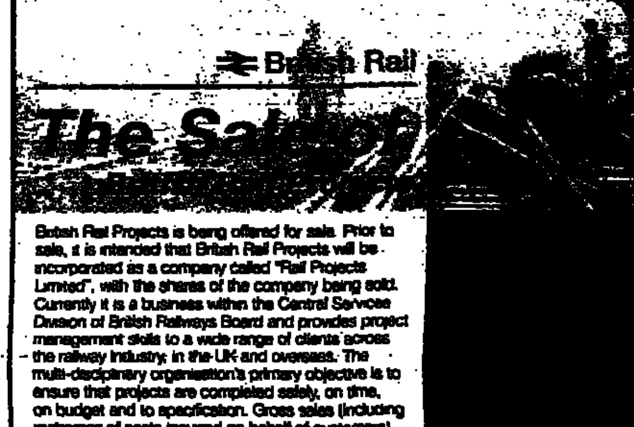

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This advertisement has been approved for the purposes of Section 57 of the Financial Services Act 1986 by Price Waterhouse, who are financial advisers to the British Railways Board Vendor Unit. Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

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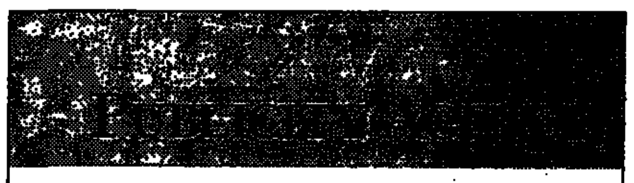

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ARTS

A joker and tease of talent

Yves Klein was an impresario of the avant garde but no artist, writes **William Packer**

There are some exhibitions that are important not for the work they celebrate or the reputations they revive, but for the hard truths they confront or the feet of clay that they reveal. It is in this latter sense that the retrospective now given to the French artist, Yves Klein, at the Hayward Gallery, is exemplary. To anyone with an interest in understanding what so much of the continuing avant-garde engagement with conceptualism, minimalism, installation, performance and body art is all about, it is required viewing.

In the immediate post-war years, Klein led the way in Europe in reviving the ideas and practices of the Dadaists of some 30 years before, and of such as Tristan Tzara and Marcel Duchamp in particular. He died in 1962, of a heart attack at the age of 34, taking with him the reputation of the young genius cut off before his time. The young genius was indeed a *persona* that he was assiduous in cultivating himself. His gift was for personal publicity, for the ostensibly outrageous event, for the photo-opportunity in an age less jaded by such things than our own. Here was the artist as media star, and if we need to see from which direction such as Damien Hirst have come, we need look no further.

But this still leaves the work, the "Art", which is where the Kleins of this world are so very clever. Their reasoning goes: if one is an artist to the core, whatever one does, whatever one thinks, must surely be a true expression of that unique and gratifying condition. With nothing to say, anything said will do. Klein's juvenile poem of 1948 comes very close to admitting as much: "I am a poet./ I am sure of this/ and yet I have/ nothing to say."

Klein's painting is no better than his poetry, his drawing an embarrassment, and he does not even try to be a sculptor. But such minor considerations hardly matter if one knows one is an artist: why not simply investigate – cant word of modernism – the properties of colour in simple monochrome, with each canvas painted a single colour, now laid on thick and textured, now quite flat? No matter that Malevich had hit upon the principle in his own suprematist minimalism before the first world war, nor that Lawrence Sterne had made the joke 200 years before.

Here is colour as colour, colour as space, cosmic in its profundity. He fixed upon a particular blue, an ultramarine of peculiar saturation of pigment, which he applied almost as a powder to the surface where it hovers and glows ambiguously. This he called IKB, his International Klein Blue and – sprayed onto sponges stuck on canvas, sprayed onto sponges stuck on sticks as instant sculpture, sprayed onto souvenir plaster-casts of the "Victory of Samothrace" as endlessly repeatable sculpture – it became his trademark.

But actual space too, the void and the immaterial, is his to appropriate with no less confidence. He declared "Zones of Immaterial Pictorial Sensibility" for contemplation and purchase; he nominated a day for his "Theatre of the Void", in which everyone everywhere was the unwitting participant.

Participation is everything. Whatever is, is. The undiscriminating mark is made, to be accepted for what it is, achieved by whatever means. Canvas and paper are scorched by burners. Painting becomes theatre, the audience invited into the studio, the model taken from her passive role and made protagonist. Smothered in paint, she presses herself, rolls and rubs herself along the canvas, leaving the traces of each touch to mark the passing of her body, as of the event itself. Such are Klein's body-works, his "Anthropometries", at once as banal as a finger-print, and as fugitive and as evocative as St Veronica's shroud.

Klein a great artist? He was certainly a showman, an impresario of the avant garde, a joker and tease of great talent. "Like other great artists of this century," runs the blurb, "Klein did more than create singular works of art: he challenged the very idea of what art is, and might be."

This of course is the perfect statement of the easy heresy that still inspires the *soi-disant* avant-garde, that to challenge or question is automatically to achieve. Klein has left us with many elegant demonstrations of his often glib and common-place ideas. Singular works of art are something else.

Yves Klein: Hayward Gallery, South Bank SE1, until April 23, then on to the Museo Reina Sofia at Madrid.

Untitled shroud anthropometry, 1961, by Yves Klein

Theatre

Twelfth Night

*Opera director David Pountney has staged a play at last, reports **Alastair Macaulay***

How startling to find that David Pountney had never directed a play until now. Often, in the late 1980s and early 1990s, his productions for English National Opera made that institution seem the most consistently serious centre of drama in London. I remember once watching, on three successive evenings, his *Queen of Spades*, his Janáček double bill (*Diary of One who Disappeared* and *Osud*), and his *Carmen*, and thinking "Where else in London is repertory staged in ways so challenging?" Which leaves unmentioned his best productions of all – such as *Rusalka*, *Hansel and Gretel*, *Lady Macbeth of Mtsensk*. Perhaps the finest achievement of his and music director Mark Elder's years at ENO were how they enlarged their audience's notion of what repertory can be.

Congratulations therefore to Nottingham Playhouse for getting Pountney to stage a play. Not that *Twelfth Night* is the kind of work in which Pountney has excelled. His forte has been tense, Romantic-to-modernist, proto-Freudian works; and I would like to see him tackling Ibsen, Strindberg, O'Neill. But the quality of his mind is quite apparent in his modern-dress *Twelfth Night*. It is a bolder staging than the RSC's last two (1991, 1994), or Peter Hall's 1991 production, though it is also short on laughs and has songs sung out of tune by Feste. Its best achievements are that it attends to the play's power games, unties its melancholy, avoids any cuteness, and opens up the awkwardnesses that most other stagings skate over.

In this *Twelfth Night*, Olivia and Orsino are both dangerously impulsive figures. They are rulers who are accustomed to command, but not to to sexual frustration. She pursues Cesario/Viola/Sebastian rapaciously, and he shows the same easy violence in the way he joshes Cesario or punishes Antonio. The most natural affection in the play is that of Viola and Sebastian; when reconciled, they are all over each other. But when Orsino suddenly announces that he will take Viola's hand, and when Olivia realises that she has married a man she has only just met, we are left uncertain that they will be happy ever after. Meanwhile, Antonio, who has risked everything for the boy he loves, remains one of the play's loners, like Feste, and those other frustrated lovers Malvolio and Andrew Aguecheek.

There are several fine performances. Best is Christopher Good's wonderful Andrew Aguecheek, a greying mophead, modish but fretful, so relaxed and natural in his crazy fecklessness. He is well abetted by Campbell Morrison's ripe, megastout Toby Belch. I do not know that coupling the roles of the Captain and Antonio is a good idea, but Stephen Mangan brings rare assurance and grace to both. His spectral exit in the former role, and his final loneliness in the latter (with another great exit – a headlong dive into the sea) are the most haunting features of the production. Richard Durden's far from absurd Malvolio, rational, dour and strict, is a fine and fresh performance.

However, Pountney's inexperience in spoken theatre is evident in the rest of his casting. Rebecca Egan, playing Viola, has an appealing quality, and is exceptionally convincing in male disguise; but this young actress is still aiming more at making effects than working from within. As Olivia, Alexandra Mathie keeps up her usual self-conscious tragic nobility (the cultivated-creamy voice, the flared nostrils, the widened eyes); dignity matters to her far more than sincerity. Tony Armatrading is a thuggish, simple Orsino: poor Viola. Helen Ryan is a severe and middle-aged Maria with a weary touch of nasal malice.

Designers Sue Huntley and Donna Muir make a strong impression with their single near-abstract landscape: the wavy Mediterranean-blue backdrop, the striped black and white landscape tower, the huge scarlet gate. Their present-day costumes are simple and unfussy. Maria is a black-garbed secretary with glasses hanging round her neck; and Cesario's uniform is a black double-breasted suit. Poor Malvolio quits his sensible dark suit for a running outfit, in yellowy lime-green and black, cross-gartered to judiciously ludicrous result. The baseball cap he wears, back to front, is the finishing touch.

At Nottingham Playhouse until March 11.

A Welsh 'Full Moon'

Caradog Prichard's *Full Moon* is an evocation of a Welsh childhood, but anyone attending the Young Vic in the hopes of rosy nostalgia, apple cheeks and bara brith will realise their mistake the moment they see the set. Upstage, the steps of a gloomy quarry are dominated by a baleful moon shrouded in cloud; downstage is a simple table and a small kitchen stove. This sets the tone for Prichard's painful journey back through his boyhood in a small slate quarrying community in North Wales.

Dramatised by Helena Kaut-Howson and John A. Owen from Prichard's original novel, *Full Moon* is a dark, turbulent piece of writing – a little dense at the outset, but worth sticking with, for it works up into a richly textured, utterly compelling chronicle of the times and a powerful study in madness.

You could see it as a Welsh counterparts to Brian Friel's *Dancing at Lughnasa*. Again an adult narrator returns to the landscape of his childhood to conjure up memories from a child's perspective and evoke a sense of time, place and lost innocence. Again, superstition and religion clamber over one another to prey on the minds of local people. But this is memory in a minor key. Prichard pursues the thread of a personal trauma – the madness of his mother, tipped over the edge by grief at the death of her husband.

We arrive at the core of his tale slowly, seeing flashes of it here and there – like seeing the moon fleetingly before it vanishes behind the clouds again – as other memories crowd in. Visions, dreams and anecdotes collide to offer a vivid, often witty, picture of life in a hard-pressed community during the second world war.

Through the eyes of the boy and his two friends we experience snatches of school, local scandal, odd characters, the first hints of sexuality and general grinding poverty. And at the centre of it all is the tender relationship between the boy and his mam, she never without an iron in her hand, fighting to make ends meet and to hold on to her fragile sanity.

The piece is full of powerful images, the most devastating being the moment when, as the boy's sweet mother (Betsan Llwyd) loses her fight and is committed to the asylum, a nurse hands him her wedding ring and her clothes made into a small brown paper parcel. And while this piece is a journey through childhood, it also charts the nature of insanity. Several people run mad, odd visions suddenly erupt, religious mania and mythology combine in a potent brew and the full moon looms over the whole story.

This poetic combination of interior and exterior worlds poses an enormous challenge to the director, to which Kaut-Howson rises impressively. Her atmospheric production (imported from Theatr Clwyd) flows across the stage and is studied with tableaux of startling theatricality, managing to suggest the nature of village life while meeting the dark vision of the writing. The company offers a splendid example of ensemble playing, crowned by two excellent, poignant performances by Simon Gregor as the eager boy, and Jon Strickland as the dejected narrator. It is a fine example of the child's imagination revisited by the poet's mind and a great introduction to a major Welsh writer.

Sarah Hemming

Until March 4 at the Young Vic (071 928 6363).

Concert/**Richard Fairman**

Haydn's 'The Creation'

The first public performance of Haydn's *Creation* was in the Burgtheater at Vienna, so a modern performance in a theatre has a historical precedent. One would not expect anything less of John Eliot Gardiner, who has just been telling the Viennese about period style in Lehár.

Whereas Gardiner went to the very resonant Westminster Cathedral to perform and record Verdi's Requiem, his choice for Haydn's *Creation* was the dry sound of the Royal Opera House. As the orchestra's opening unison C died on the spot, most choirs would find their throats turning to parchment at the thought of what the acoustic was about to do to them, but the Monteverdi Choir seems to thrive in even the most difficult circumstances. Its singing sounded as well blended as ever. The acoustic's relentless spotlight uncovered no blemish of ensemble or accuracy.

Among Gardiner's strengths is a marvellous sense of rhythm, which pays dividends in Haydn. There is as much of the bucolic Haydn in *The Creation* as in any of his other works and Gardiner is happy to dig into the rustic dotted rhythms early on, where most conductors are trying to keep the rarified atmosphere of the beginning going. This performance had plenty of energy, but also quiet concentration when necessary; the English Baroque Soloists gave the impression of having been rehearsed in the utmost detail.

Gardiner has become such a sought-after recording artist that inevitably a recording is attached to these performances – which explains both the high quality of the preparation and the appearance of three first-rate soloists. Michael Schade missed some opportunities for poetry, but sang the tenor part with precision, carefully varying the tone and pace of his recitatives, as all three soloists had clearly been instructed to do.

Sylvia McNair was the exemplary soprano, managing to be infinitely sweet-toned without becoming coy, and Gerald Finley's youthful tone and beautifully-prepared singing in the bass role confirmed that he is an artist going from strength to strength. He only lacked weight on some of the low notes. There is so much major-key goodness in Haydn's music for Adam and Eve that one often sits impatiently wishing they would get on with sinking their teeth into the apple, but not – for once – here. McNair and Finley gave us singing fit for paradise.

Sponsored by PPP and British Gas.

Jazz/**Garry Booth**

Eberhard Weber

There are some developments in jazz music we could well do without. The pianist who tinkers under the lid by way of improvisation is one. The gratuitous use of electronics is another: just because it is technically possible to make a guitar sound like Big Ben, does not mean it is a good thing.

Creative use of the microchip in jazz is possible, of course, and in bass mephisto Eberhard Weber *technik* and technique come together in perfect harmony. Until you have heard Weber's solo show it is hard to believe that one of the most elemental instruments could captivate for fully 90 minutes; but you would reckon without the electrobass, an upright hybrid developed by the German and used to construct intricate layers of counterpoint and a deep spectrum of tone colours. The five string contraption has no body but is played through an electronic "delay", controlled by foot pedals. This gives Weber the ability to play a five second sample which repeats *ad infinitum* and onto which phrase after phrase can be pasted.

In short Weber improvises to his own accompaniment, setting down slavish rhythm, chords and harmonies, creating a live- dialogue with himself. It helps that the 55-year-old is an exceptional bass player and can shine in all styles. On Sunday at the Queen Elizabeth Hall, halfway through a UK tour, he opened without the assistance of his box of tricks and still managed to sound like a duo – plucking a walking bass line with one hand and striking fret clattering chords with the other.

Then the echo unit was switched on. "Pendulum", the title piece of his latest ECM album (519 707-2) wedded a dramatic low frequency harmony to a yearning melody which led to the rusty cadences of the bow. "Delirium" began with a fingers-on-the-blackboard series of squeals but developed into a suspenseful Nyman-esque exercise in counterpoint. In "Children's Song No. 1" he set high notes rippling over a sonorous swell of bowed whale-like calls.

Weber, who also plays with gloomy-boots saxophonist Jan Garbarek, is not beneath the odd novelty number and likes a joke. Following a piece of witty complexity which he described as "silly ... but difficult", he explained why he does not play with another bass player: "The delay is never late and anyway I don't think it is fair to ask someone to play what I finished five seconds ago." It is hard to imagine that anyone else could play what Weber plays.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: André Previn conducts Harbison, Previn, Barber and Copland; 8.15 pm; Feb 18, 19 (2.15 pm)
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Mazeppa: by Tchaikovsky. A Netherlands Opera production conducted by Harmut Haenchen and directed by Richard Jones.; 7.30 pm; Feb 14

■ FRANKFURT

OPERA/BALLET
Oper Frankfurt Tel: (069) 23 60 61
● Oberon: by Weber. First showing at this venue with conductor Hans Zender and lead role played by Hubert Delamboye; 7.30 pm; Feb 15

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Sinfonietta with pianist Stephen Kovacevich and soprano Faye Robinson to play Beethoven and Tippett's, 'Symphony No 3'; 7.30 pm; Feb 17
● Sorry I Forgot Valentine's Day: if you missed Valentines day, Paul Wynne Griffiths conducts the London Concert Orchestra and pianist Sarah Beth Briggs to play another evening of romantic classics; 7.30 pm; Feb 18
● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra in a programme that includes a world premiere of Tippett's, 'The Rose Lake'; 7.30 pm; Feb 19
Festival Hall Tel: (0171) 928 8800
● Novosibirsk Philharmonic Orchestra: with pianist Paul Crossley and bassist Anatoli Safiulin. Arnold Katz conducts Prokofiev, Shostakovich and Rachmaninov; 7.30 pm; Feb 20
● Valentine's Day Concert: Philharmonia Orchestra and pianist Anya Alexeyev. Anthony Inglis conducts Tchaikovsky, Rachmaninov and Rimsky-Korsakov; 7.30 pm; Feb 14
GALLERIES
Hayward Tel: (0171) 261 0127
● Yves Klein: over 110 works conveying the full range of his output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; to Apr 23
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday; 7.30 pm; Feb 17
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30 pm; Feb 16
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss; 7.30 pm; Feb 15, 18
Royal Opera House Tel: (0171) 340 4000
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30 pm; Feb 15, 20
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30 pm; Feb 14
● La Bohéme: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta; 7.30 pm; Feb 16
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opera; 7.30 pm; Feb 17
THEATRE
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 16, 17, 18 (2 pm), 20
Royal Court Tel: (0171) 730 1745/ 2554
● The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester; 7.30 pm; to Feb 18
Shaftesbury Theatre Tel: (0171) 379 5399
● The Three Lives of Lucie Cabrol: adapted from John Berger by Mark Wheatley and Simon McBurney, who also directs. Theatre de Complicite present this violent love story; 7.30 pm; to Feb 25 (Not Sun)

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
● Tetzlaff plays Beethoven: Esa-Pekka Salonen conducts The Los Angeles Philharmonic with violinist Christian Tetzlaff to play Beethoven, Schoenberg and Sibelius; 8 pm; Feb 15, 17, 18 (2.30 pm), 19 (2.30 pm)

■ NEW YORK

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zeffirelli, conductor Christian Badea; 8 pm; Feb 16
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 14, 18 (1.30 pm)
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8 pm; Feb 17
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 15, 18, 20

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Alban Berg Quartet: plays Haydn, Webern and Beethoven; 8.30 pm; Feb 14
● Orchestra of the Champs Elysées: with soprano Soile Isokoski, alto Birgit Remmert and tenor James Taylor plays Beethoven under the direction of Phillipe Herreweghe; 8.30 pm; Feb 15
GALLERIES
Galerie Schmit Tel: (1) 42 60 36 36
● From Delacroix to Matisse: exhibition including the works of Delacroix, Matisse, Picasso and Degas; from Feb 14 to Apr 13
Georges-Pompidou Tel: (1) 42 77 12 33
● Kurt Schwitters: exhibition of works by the German Dadaist; to Feb 20
Musée Cernuschi Tel: (1) 45 63 50 75
● Japan, Tastes and Tranquility: The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony; from Feb 14 to May 14 (Not Sun)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● King Arthur: music by Purcell. A William Christie and Graham Vick production; to Feb 19
Opéra Comique Tel: (1) 42 96 12 20
● Lakmé: by Delibes. Conducted by Frédéric Chaslin and produced by Gilbert Blin; 7.30 pm; to Feb 18
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 15, 18, 20
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30 pm; Feb 14, 17

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Choral Arts Society of Washington: Norman Scribner conducts Menotti and Williams' 'Dona Nobis Pacem'; 8.30 pm; Feb 19
● National Symphony Orchestra Pops: Great American Music Ensemble. A Valentine's Day program; 7 pm; Feb 17, 18
● Royal Philharmonic Orchestra: Conductor Yuri Temirkanov with pianist Eliso Virsaladze plays Britten, Prokofiev and Stravinsky; 3 pm; Feb 19
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production; 8 pm; Feb 15
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene; 8 pm; Feb 16, 19 (2 pm)

WORLD SERVICE

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Financial Times Business Tonight

Joe Rogaly

Welcome to Lilliput

When politicians have nothing to argue about they argue about nothing. So it is with Britain's Conservatives. They have governed Lilliput for nearly 16 years. Their minds have shrunk to fit Swift's tiny island of finger-sized people.

Today's Tories are divided into big-endians, who crack their boiled eggs at the larger circumference, and little-endians, who prefer to tap their spoons on the smaller side. For the inhabitants of an archipelago dependent on chicken ova as part of their regular diet this is at the very least idiosyncratic. Yet the choice of end is regarded by both factions as one of such importance, such over-riding principle, that some of these wee folk, their voices ever more high-pitched, are prepared to destroy their party over it.

This is not to say that participation in a single European currency, a proposition that may well be characterised as a boiled egg, is unworthy of serious debate. The Eurocurrency idea is good in parts. It is getting respectable attention in France and Germany, particularly among central bankers. The discussions have proceeded in such terms that we must suspend judgment on whether the construction will get off the drawing-board. It is prudent to assume that sooner or later it will.

So we cannot complain if some of the more thoughtful ministers in Mr John Major's cabinet have begun to make serious speeches about monetary union. They have gone beyond the prime minister's assertion that only a dimwit could fail to see the case for saying as little as possible until Ecus (E-Marks?) are raining down on our heads.

One such worthwhile contribution came from Mr Kenneth Clarke last week. Admittedly, the chancellor, convinced as ever of the advantages of Britain's membership of the European Union, trimmed his sails ever so slightly.

He aligned his previously unconditional allegiance to the idea of a single currency to Mr Major's soothing breezes. Thus he acknowledged that nothing will be done before the next election. As to the closing years of the decade, a Tory administration would keep its options open. So would Labour, but you knew that. Like Mr Tony Blair, the Labour leader, Mr Clark has given us the distinct impression that, provided certain elements of economic convergence were in place, his preference would be to join.

Others might reasonably state that their choice might be not to join, at least not at once. Mr Jonathan Aitken tried such a line. His was a destructive intervention. The chief secretary stretched rationality to breaking point with his statement that he would "hesitate for an eternity" before saying he would vote for a single currency. Yet others could profitably dispute Mr Clarke's intimation that putting EU currencies into a melting-pot under the control of a quasi-independent, pan-European bank would not necessarily constitute a large step towards political integration. On this the chancellor is self-evidently wrong. Monetary union is certainly more than a technicality. Even a long-term, paid-up, irreconcilable Eurofanatic like myself must concede that.

If things go on like this the Conservative party may last for a considerably small time, possibly a matter of months

That is why I stick to the view that voters may wish to be consulted on all this. A referendum would spark off the debate Mr Clarke asked for. It is a pity that Labour could not support yesterday's motion in favour of one, as put by the Liberal Democrats. The electorate would sense the concern behind the campaigners' proclamations. Did I say concern? I meant paranoia. This has been present at every turn in the story of Britain's relations with Europe.

Do we British have the self-confidence to behave like committed members of this conclave of independent nations, or are we so unsure of ourselves, so uncertain of our political and economic strength, that we must forever be petulant nay-sayers? The question affects the Labour party as much as the government. Both fear the competition from those irritatingly efficient Germans; both wish to retain the right to devalue whenever Britain runs into difficulties.

These are considerations of high policy. Alas, some Conservative little Englanders have descended to the absurd. Lord Tebbit's adoption of president Nelson Mandela's mantle is the supreme example. At the weekend he equated what Britain might face from "unjust" laws made in Brussels to the oppression of black South Africans under apartheid. Even Swift would have difficulty making a satire out of that. Then we had Mr Charles Wardle, warbling about the potential erosion of Britain's immigration controls. This gentleman, of political stature sufficient to be encompassed in a Lilliputian palm, resigned as industry minister to make his point.

A strong prime minister would flick such a speck from his sleeve. Mr Major is not able to do that. He graced the ineffable Warble with a full reply, pointing out that his fears are groundless. We must be kind to our prime minister. He is in danger of getting a crick in his neck. One moment he is a big-endian, a Europhile; the next a little-endian, a Euro-sceptic. Fortunately these contortions have not been wholly destructive.

So far Mr Major has kept the government's position open. He has not flatly ruled out an *eventual* merging of sterling with a European currency. He might, however, be sandbagged by those who want us out of any further EU developments. Then he may fight the next election as chief dimwit, he of the foreclosed opt-out.

To avoid such a calamity Conservative pro-Europeans could usefully weigh in with a recapitulation of the history of Europe since 1945. The pattern, now tediously familiar, is our old friend stop-go. An initial British rejection of this or that continental proposition is invariably followed, after some years, by an unseemly struggle to catch up. The lesson is plain. Neither Mr Aitken nor the EU will be around for an eternity.

If things go on like this the Conservative party itself may last for a considerably smaller time, possibly a matter of months. As any decently-taught schoolchild should be able to remind us, it split over the repeal of the corn laws in 1846. The Tories then sat in opposition to the Liberals, a fate from which they did not properly recover for the next 30 years. In 1904-05 they fell apart again, over tariff reform. At the 1906 general election they lost what had been a majority of 135, to face a Liberal majority of 129.

Are they in for another spell of political impotence? Probably. Mr Robert Waller, who is one of the few who suggested during the April 1992 election that Mr Major would win, puts the chances of a Canadian style rout of the Conservatives in 1996 or 1997 at one in five. Mr Waller, a pollster with a good track record, is cited in the left-wing New Times. His assessment of the chances of a Tory debacle seem to me to err on the cautious side. British voters expect their parties to be united.

Only psychotherapists can solve the Conservatives' problem now. They have been afflicted by an attack of anxiety, a sense of shrinking horizons, that runs contrary to the experience of anyone now living. They wish to be in command of a great and powerful nation state but behave and squabble like small time parish councillors.

They wrap themselves in the flimsy comfort of the Union Jack. They look in the mirror of their imaginations and see themselves as Brobdignagians, Swift's giants, astride a huge empire upon which the sun never set. The electorate is in a mood to dismiss them, with no welcome back until the next century.

Philip Stephens, my colleague, starts a new political column on Friday February 24. The Tuesday column closes with this one. My Saturday column continues.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Danger that greed and envy really will become the main motivating forces

From Professor Ronald Dore.

Sir, Two things get overlooked in the uproar set off by the simultaneous publication in the UK of the Rowntree report ("Income gap between high and low paid 'greatest since war'", February 10) and the announcement of the civil service pay rises ("Public Sector Pay Review").

First, there really are market forces behind growing inequality. They are driven not only by the low-wage competition from developing countries which Howard Davies, director-general of the Confederation of British Industry, mentions (Personal View, February 10) but also by the mounting learning requirements of ever more complex technology. If you wish to know our British future, just look at the faster growth in wage inequality in the US, where the "flexibility" of hire-and-fire labour markets allows those forces to work faster than in Europe, where convention and decency still slows them down.

Second, the judgments of (modestly paid) ministers about how much is necessary to keep top civil servants in Whitehall are as crucial a mechanism in the growth of pay disparity as the judgments of company compensation committees that their CEO's salary must of course not be lower than the top of the second quartile of the distribution. Those judgments depend crucially on a particular assumption about work motivations – namely that we are all primarily driven by greed and envy.

Over large areas of the UK economy – especially, but not exclusively, the public sector – that assumption is still false. People take jobs, and put their backs into jobs, for a variety of motives – a "spirit of public service" among them. No permanent secretary has, in fact, jumped ship for the money lately. Ministers are simply reported to be anxious to ensure that any temptation is reduced in future.

But the thing about such anticipatory moves is that they become self-fulfilling. The more the institutions of our society are built on the assumption that greed and envy are the only reliable motivators, the truer that becomes.

The trouble is that a more benign, and (still) accurate, view of work motivation just is not articulated. Those permanent secretaries do not stand up and say they do not need the money and wild horses would not drag them into the City before retirement probably (apart from concern for less well-paid juniors) from fear of seeming sententious.

Those who can overcome such scruples might like to join a movement to articulate (and thereby seek to reinforce) some alternative view of modern work. The mixed motives movement, perhaps? Open to all who enjoy their claret or their BMW or their second home, but are not solely preoccupied with such things and want to do something decent and socially useful with their lives. Write to Triple M, 18 Victoria Park Square, E2 9PF.

Ronald Dore,
Centre for Economic Performance,
London School of Economics,
Houghton Street,
London WC2A 2AE, UK

Lessons for UK of Rhine floods

From T.S. Sands.

Sir, Haig Simonian's article on the terrible flooding in the Rhine Valley (Business and the Environment: "Floods of tears on the Rhine", February 8) contains lessons for us in the UK.

Like the Germans and the Dutch, we have spent money to rush water off the hills and out to sea as quickly as possible, forgetting that bogs are designed to hold water like sponges, and flood plains and marshland to hang on to excesses. By not thinking of the river catchment as a whole, we have engineered and built ourselves into a difficult position. Not only people suffer; wetland wildlife has been all but squeezed off the map.

We need to look again at our river catchments and recreate more natural conditions. And in Britain we have the opportunity now. The environment bill, going through Parliament at the moment, could direct the new environment agencies to carry out integrated catchment management planning.

The National Rivers Authority is doing this in England and Wales already, but we have no guarantee that its successors will continue.

If they do not, the opportunity will be lost to provide a safer future for people and a better future for wetland wildlife.

T.S. Sands,
director of conservation,
The Wildlife Trusts,
Royal Society for Nature Conservation,
The Green, Witham Park,
Waterside South,
Lincoln LN5 7JR, UK

Saatchi gesture

From Mr M.R. Firth.

Sir, I am writing to express my disgust at the article, "Saatchi shame" (February 13), in the Observer column. Let me present you with some facts.

The conference which I am promoting is a non-profit making venture designed to promote our region. Maurice Saatchi was approached by Sir Marcus Fox and asked to be a speaker. He readily agreed and did not even mention a fee or, indeed, expenses. The £5,000 the article refers to was a "gesture" on my part and I have no doubt he will nominate a charity.

So, the thanks he gets for his generous offer is your offensive article.

M.R. Firth,
chairman and chief executive,
Yorkshire Food Group,
Carter Mills,
146 Cleckheaton Road,
Bradford BD12 0HF, UK

Monetary union: support for directors' leader in the 'real economy'

From Mr Peter Frankel.

Sir, Allow me to refute the suggestion in your headline "Director's leader out of touch on Europe" (Letters, February 6) that Mr Tim Melville-Ross, director general of the Institute of Directors, is out of touch with his membership.

As a fellow of the IoD, I know the lengths to which the institute goes to establish the opinions of members and I have no doubt that Mr Melville-Ross's recent comments about Europe, the economic consequences of a single currency, and loss of sovereignty involved are supported by a very large number of the institute's members and the British public.

His opposition to Emu is based on sound economic facts rather than the somewhat party political stance of Mr P.J. Hirsch, whose quarrel, it seems from his letter, is more with the British government's privatisation policy, its rejection of proportional representation and reform of local government than with Mr Melville-Ross and the IoD.

Mr Richard Brown, in his letter, rather modestly suggests that some EU institutions might be of assistance to business, but in no way supports the Emu or the idea of federation. I can assure him that those who want an unelected bureaucracy to rule Britain from Brussels in accordance with the Maastricht Treaty formula are a very small minority and a referendum on any further loss of sovereignty would produce a resounding "no".

How many people are actually aware of the extent to which small shopkeepers and businesses are dominated by the decisions made in Brussels?

Peter Frankel,
Elmstead, Chapel Road,
Limpsfield Common,
Surrey RH8 0SX, UK

From J C Stott.

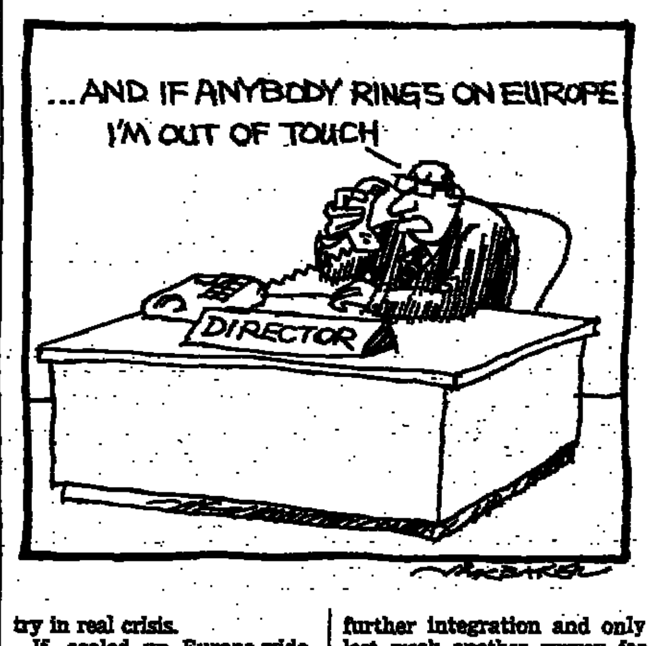
Sir, Mr Charles Young (Letters, February 11/12) does not need "an article setting out the intellectual basis for the ideas of the right-wing critics of monetary union". All he needs to do is to reflect on the difference between locking ourselves irrevocably into a monetary union and our joining, say, the ERM, from which we escaped to our great benefit. From Emu there would be no escape.

J C Stott,
Bleak House,
Coppenhall,
Stafford ST18 9BW, UK

From Mr Ian Milne.

Sir, Mr Duncan Heenan's letter supporting a single currency (February 9) didn't mention a vital attribute of money: its interest rate.

He is rightly concerned with the "real" economy. Let me invite him to look at "real" (ie inflation-adjusted) interest rates in France. In 1994, French real interest rates were some 40 per cent higher than British real interest rates – even though France has had low inflation for 10 years, runs a persistent balance of payments surplus (including with Germany) and in many other respects is a healthier economy than the UK. The reason is the "franc fort" policy (the precursor to the single currency) of maintaining a particular parity with the D-Mark. The consequence is structural real French unemployment of more than 5m and a banking industry in real crisis.



If, scaled up Europe-wide, such are to be the real consequences of a single currency, we owe it to ourselves to be severely critical of the arguments of its supporters.

Ian Milne,
director,
European Foundation,
61 Pall Mall,
London SW1Y 5HZ, UK

From Mr T. Melville-Ross

Sir, Contrary to the view of your correspondents' (Letters: "Directors leader out of touch on Europe", February 6), and subsequent letters, there is ample data, from surveys of the IoD membership and studies by other business organisations, confirming that the concerns I expressed about the inappropriate and unacceptable European legislative process are broadly representative of business as a whole.

IoD members, to be found across the entire spectrum of UK business, already bear a heavy regulatory burden, for example in the employment field. There is a growing consensus among business throughout Europe, as reports by organisations like Unice, the European Round Table of Industrialists and the OECD demonstrate, that excessive legislation has been at the root of the Community's vast unemployment.

The evidence is there, for all who want to see, that what businesses want is less regulation, a firm competition policy and better access to an effective single market. They are increasingly cautious about further extending the legal competencies of the EU and deeper economic and monetary integration, including a single currency, which cannot be achieved without the further significant surrender of sovereignty.

A Confederation of British Industry survey last autumn showed that 88 per cent of business people were against further integration and only last week another survey for Business Pages showed that eight out of 10 smaller enterprises are against leaping into a close political and economic marriage with Britain's European partners. More than two-thirds of those surveyed wanted to stick with their national currency.

While some multinational companies favour monetary union, small and medium-sized businesses, which form the bulk of businesses in the European Union, are in little doubt that the relatively higher costs, higher taxes, increased labour market regulation and reduced flexibility in interest rate policy which a single currency would entail would far outweigh the benefits to them.

I believe that there may well be consensus among business leaders about the conclusion in your leader ("UK's role in Europe", February 10), that "only a country sure that it can live with the consequences, economically and politically" should contemplate entry into Emu. That, however, will take much more evidence and debate and is not likely to be achieved in the foreseeable future.

T. Melville-Ross,
director general,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED, UK

Concern about public conduct

From Mr John Sheldon.

Sir, Your description of the government's submission to the Nolan inquiry on standards of public conduct as "breathtaking in its complacency" ("Standards in public life", February 7) will be echoed by everyone with a reading age above five years old. However, the answer to your question of why the government set Nolan to work in the first place has now become clear. Apparently it is all a question of perception – or rather of correcting mistaken perceptions.

Ministers are desperately trying to peddle the nonsense that the concern about the standards of conduct of ministers and MPs exists only in the minds of the public, without any foundation in fact. Mr Tom King, the government's proconsul on the Nolan committee, appears to believe that the whole thing has been conjured up by a few over-imaginative newspaper editors. Interestingly, Mr King also seems to be the only member of the committee to have pursued his questions with any vim – not in interrogating ex-ministers, of course, but newspaper editors and trade unionists.

Nevertheless, if the government sticks with the Hunt line, its position will become untenable and we can only assume that it is digging in so that when the concessions are made (as they must be), they will be minimal. The fall-back has already been clearly signalled by Messrs Younger and Fowler and no doubt the government will eventually be grateful if the Nolan committee recommends that a similarly mild restriction is applied to ex-ministers as is currently applied to ex-senior civil servants.

This would be nowhere near good enough. So far, not enough attention has been focused on the revolving doors that exist even with this civil service restriction, the increased potential for corruption produced by large-scale privatisation and contracting out, the loss of accountability caused by breaking up the civil service into more than 100 executive agencies, and the massive increase in ministerial patronage elsewhere in the public sector. These issues are part of the debate and should not be forgotten.

John Sheldon,
general secretary,
National Union of Civil and Public Servants,
124-130 Southwark Street,
London SE1 0TU, UK

School tax

From D B Robb.

Sir, One hard-pressed school has suggested that the parents of their pupils might contribute a 1p in the pound "income tax" for the benefit of the school.

Is this not a most sensible suggestion and could not the chancellor give it his support by allowing the 1p to be tax deductible?

If a private enterprise solution were applied to the problems of education and expenditure by parents on all forms of approved education were made tax deductible, there would be no shortage of funds in the education system.

D B Robb,
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FINANCIAL TIMES

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Tuesday February 14 1995

Mr Balladur's bland recipe

As might have been expected, Mr Edouard Balladur was not out to amaze or alarm his French electorate yesterday, when he set out his platform for the forthcoming presidential election. He was out to reassure. He remains the clear favourite, over his main rivals from both left and right – Mr Lionel Jospin of the Socialist party, and his former colleague and party leader, Mr Jacques Chirac of the Gaullist RPR. The secret of Mr Balladur's success seems to lie precisely in his predictability.

Even his three main ambitions amounted to a careful rephrasing of those well-tried French favourites: *liberté, égalité,* and *fraternité*. In his platform, that means freedom of the individual, equality of opportunity, and fraternity – through European integration. That is all very well. But does such bland reassurance begin to answer the profound problems facing France and its next president?

Mr Balladur certainly admits there is a crisis. France has been in crisis for the past 20 years, he said yesterday. Social tension has grown, inequality has deepened, and confidence in the state has been eroded. Even given his natural inclination to belittle the 14-year Mitterrand presidency, it was a gloomy assessment.

The underlying problems come under two headings: institutional, and economic. The former concern the viability and accountability of the presidential system under which Messrs Balladur, Chirac and Jospin are standing for office. The French president enjoys sweeping powers only partially controlled by a weak, part-time parliament. The political parties are equally in a state of disarray, with the Gaullists split between their presidential candidates, and the Socialists likewise torn between warring personalities.

Feeble institutions

Mr Balladur's plan is for reform through dialogue and consensus. Yet the very institutions which should provide that dialogue, and help to reach that consensus, are feeble. All too often, their failure to provide a forum for debate leads to protesters taking to the streets and holding the government to ransom.

The French prime minister's answer is to hold a referendum on constitutional reform – within six months of taking office, he says. It would consider whether the presidential term of office should stay at seven years without any limit on re-election, or be reduced to five years – or be limited to a single seven-year term, as Mr Balladur apparently favours. Yet the act of calling a referendum will only further undermine the institution which needs to be strengthened – parliament itself.

Policy challenges

On the economic front, France confronts three main challenges: reducing unemployment, sustaining economic growth and reducing the fiscal deficit – the latter both for their own sake and to meet the Maastricht treaty criteria for a just conceivable entry into stage three of monetary union during 1997. Yet Mr Balladur admits that unemployment is "the first and the most serious worry".

What is lacking in the prime minister's proposals is the required sense of urgency. His aim is to reduce unemployment at the rate of 200,000 a year over five years. That would still leave the jobless rate at around 8¼ per cent. Much of French unemployment, moreover, is long term: in 1991 the average duration of French unemployment was 22.5 months, against 8.7 months for the UK. Perhaps most serious of all is the rate of youth unemployment, a quarter in 1993, as against 5 per cent in Germany. On long-term and youth unemployment, Mr Balladur's proposals are skimpy almost to the point of non-existence.

The fiscal problem is less fundamental than unemployment: to the extent that growth is maintained, it will improve automatically. Nevertheless, the latest forecasts from the OECD suggest that the general government financial deficit will be 4 per cent in 1996, one percentage point above the Maastricht criterion, which France, of all countries, must meet that year. Action will almost certainly be needed, but Mr Balladur's solution remains obscure.

The French prime minister likes to present himself as a reformer. If he is to advance reform or tackle the real causes of French discontent, he will have to produce a more ambitious manifesto than yesterday's.

Alas, poor Warburg

S.G.Warburg has long been regarded as the leading British-owned contender for a place in the top league of global investment banking. After its failed merger talks with Morgan Stanley, a series of defections and the departure of its chief executive Lord Cairns, its aspirations look sadly deflated. The question is whether these recent problems are specific to Warburg itself, or whether they are symptomatic of some wider failure of the British merchant banks to make a bigger mark in a global business that they used to dominate in the 19th century.

It is certainly striking that Warburg, for all its domestic achievements and international outlook, has failed over more than two decades to make an outstanding success of its forays into the US, continental Europe and Japan. Its merger of a merchant bank, two broking houses and a leading jobber at the time of the Big Bang in the 1980s was in many ways an outstanding managerial achievement. Yet the recent defections indicate that the tightly-knit, teamworking culture of the original S.G.Warburg, which reflected the German private banking background of its founder, has failed to take root in the enlarged group.

The bank has lost its touch; and its retreat from doing business in each and every one of the main bond markets suggests that the thinking behind its Big Bang strategy for an across-the-board service in wholesale finance may have been flawed.

General malaise

That said, there are signs of a more general malaise. It is striking that the City's competitive strength in international finance lies mainly with foreign firms. The management of lesser domestic institutions such as LIFFE, the fast growing derivatives exchange, appears more sure-footed than that of the Stock Exchange. In insurance, Lloyd's remains a disaster area.

Whereas the financial barrow boys who populate the dealing rooms of the big international banks are among the best in the world, one begins to wonder whether the British officer class is up to the top management job. Britain's comparative advantage in this area appears to derive as much from offering a comfortable guest house for foreign banks, complete with an accommodating regulatory regime and other homely attractions (Covent Garden, Ascot), as from native excellence in finance.

But the performance of Warburg and others should be seen in proper context. The pre-eminent US investment banks have the advantage of a huge domestic market, which provides a powerful springboard from which to attack the rest of the world.

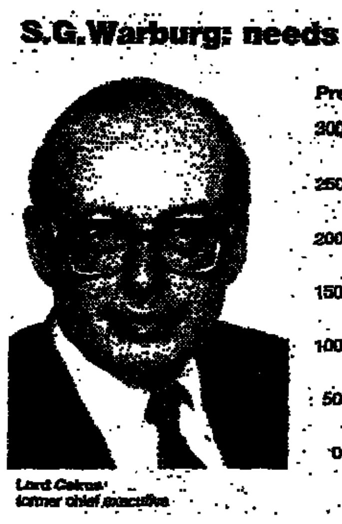
Secular decline

After the initial shakeout that followed deregulation on Wall Street in the mid-1970s their profits and capital grew very rapidly, relative to those in the UK. US firms did not have to cope with the post-war British legacy of relative economic decline; and given the lesser importance of New York's international, as against domestic business, the gyrations of the dollar have been less disastrous for US banks than the secular decline of sterling for British-owned houses.

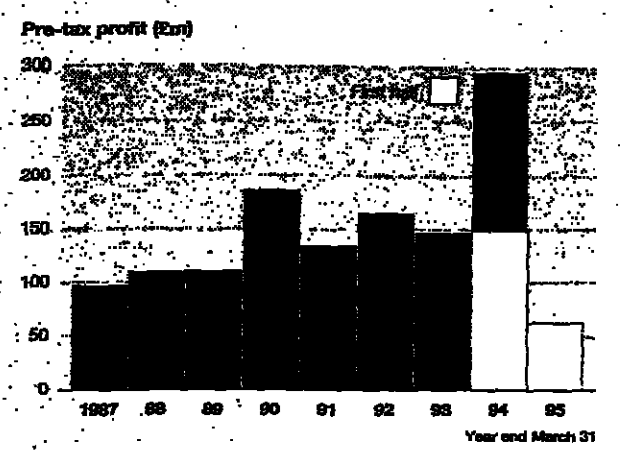
For all that, US firms have been as prone to upsets as anyone else. First Boston, Lehman Brothers and Kidder Peabody might not have survived without the support of strong parent companies. Since the bond market bubble burst last year, Goldman Sachs has lost partners, profits, élan and morale. Salomon Brothers, over-dependent on revenues from trading, has plunged heavily into loss, having failed to establish a clientele to match that of the older-established houses. The success of Morgan Stanley's investment in new staff and foreign off-shoots can only be judged over the longer run; but US investment banks have not been uniformly successful in their overseas expansion. Even J.P.Morgan has come embarrassingly (if not over-expensively) unstuck in its recent adventures in Spain.

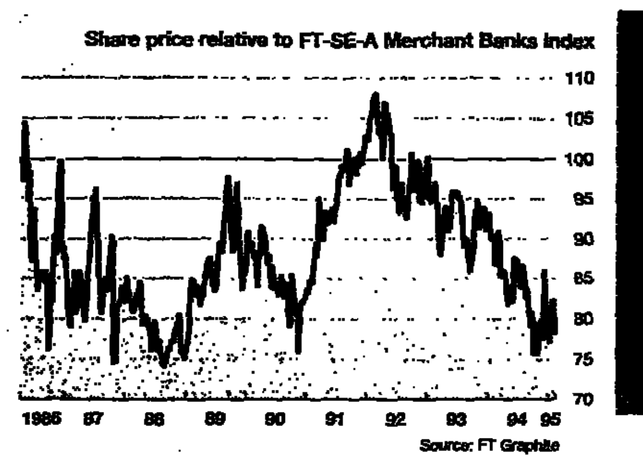
The lesson is that a fully-integrated, global investment bank is exceptionally difficult to manage. No one has done the job consistently well over any length of time. It would thus be unwise to write off S.G.Warburg, which achieved a great deal from an unpromising vantage point, out of hand. As a distinguished international banker once remarked, it is better to have loaned and lost, than never to have loaned at all.

S.G.Warburg: needs to recover old habits



Lord Cairns: former chief executive





Sir David Scholey: chief executive

John Gapper on the challenges facing Warburg in preserving its independence

Quest for the golden touch

The worried staff of S.G. Warburg, the investment bank that until six months ago was the UK's brightest candidate to join the elite of global banks, yesterday witnessed an untriumphant return. Sir David Scholey, the executive who was credited with pushing it towards the world league in the 1980s, was back on the floor, trying to bolster the bank's crumbling reputation.

Sir David, at 59, his glory days behind him, was due to retire to the largely honorary post of president in June, found himself catapulted back into the chief executive's chair over the weekend. The resignation of Lord Cairns, chief executive since 1991, after the most severe crisis to strike Warburg in the past decade left the bank with no alternative but to hope that Sir David's golden touch remains.

Sir David did not bother to hide the scale of Warburg's crisis, telling staff of the need to "regain our old habits of rigorous quality, and cost control". The most hopeful thought one director could offer was that "it takes a lot more than you think really to damage an investment bank", arguing that such bad times have afflicted others such as Goldman Sachs in the wake of the financial market turmoil of 1994.

Yet the depth of its crisis is shown by the abruptness of Lord Cairns' resignation only days after a group of key staff defected to Morgan Grenfell, the investment bank owned by Deutsche Bank. Warburg has not only failed to rival the global presence and sustained returns of some US rivals, but lost something more intangible. Executives lament the fading of a discipline and team spirit that enabled it to eclipse other merchant banks in the post-war years.

One executive says that the prominence Warburg gave to Mr Maurice Thompson and Mr Michael Cohrs, the heads of its equity syndication arm who left for Morgan Grenfell, would not have occurred in the old Warburg. "All they do is a lot of shouting down telephones, and they were allowed to generate a mystique that shouldn't have been permitted. Someone should have told them to come off it," he said.

Sir David does not attempt to deny a loss of discipline in the modern Warburg. "I suppose we just failed to keep that up during a time of very considerable expansion and development," he says. Yet he admits that the firm cannot simply attempt to return to a corporate style that fitted it in the 1980s. "It cannot be just a matter of re-imposing the way we used to behave on a different business," he says.

Warburg faces a serious challenge in remaining independent over the next six months. Sir David says that it has not entered merger talks with any other bank following the embarrassing failure of its attempt to merge with Morgan Stanley in December. Yet Warburg's shares continued to swing yesterday on speculation that banks such as HSBC or Dresdner Bank could snap up a weakened Warburg.

The argument against a hostile approach for Warburg is that its most valuable executives could easily move to another bank if there was a bid its management opposed. But for this argument to work, Warburg staff have to trust the judgment of its management. It is clear trust has slipped seriously in the wake of Morgan Stanley talks, and talk further job cuts is unlikely to restore it rapidly.

Warburg could also lose a measure of independence by being forced to appoint a chief executive from outside to restore confidence. Sir David does not want to do so, at least in the short-term, talking of staying on until the bank is stable and has regained profitability. This means he will have to persuade shareholders of the competence of the group of young senior managers promoted yesterday.

In his effort to rediscover the spirit of the old Warburg, Sir David will be working with four younger investment bankers in a new executive committee. He compares this with Unilever's three-member special committee which exercises joint executive control over the Anglo-Dutch group. The move further reinforces the shift away from executive control of Mr Nick Verey and Mr Derek Higgs, chairmen of its broking and banking arms who were formerly seen as providing executive support to Lord Cairns.

Appointment of the committee represents a compromise on the part of the board between moving decisively to a new generation of management and sticking with the past. The combination was chosen as a rapid solution in preference to the delay inevitable in finding an outside chief executive. "If your car is heading for a swamp, you do not waste time looking for the nearest fireman," says Sir David.

Apart from re-establishing aspects of Warburg's traditional culture, Sir David and the executive committee have the task of improving profitability. The problem faced by Warburg since its formation from a merchant bank, two stock-broking firms and a jobber – former wholesalers of shares – is that it has failed to break decisively into the ranks of global investment banks dominated by US firms.

Although Warburg was more successful than other UK firms in building an integrated bank, it has since spent large sums on a global securities network during a period when margins in such operations have contracted. In the *annus mirabilis* of 1993 when investment banks made large profits, it achieved a 28 per cent return on shareholders' equity. Yet its cost base was unsustainable and profits collapsed last year.

Warburg signalled yesterday that the severe curtailing of its international bond operations with the loss of 180 jobs, announced by Lord Cairns in January, will not be enough to restore the core profitability of its investment bank. This implies that it will either have to cut costs further or shift the emphasis of operations towards higher margin businesses such as derivatives based transactions.

One Warburg executive argues that securities distribution in Europe and the US based on traditional cash markets is unlikely to provide high enough returns. Instead, he says that Warburg will have to combine the strength of its primary equity operations – giving advice on mergers and acquisitions, and underwriting share issues – with stronger securities trading and derivatives expertise.

Sir David echoes this theme, talking of investing "where the operating margins are not fragile or narrow and at the mercy of businesses of a different scale". This could imply retrenchment in traditional equities distribution in Europe and Asia. Yet it will be hard to do so without demolishing Warburg's claim to having a true global franchise, since it already has limited equity distribution in the US.

A further difficulty will be that Warburg will be in danger of chasing too late into another area of diminishing margins. Some of the most profitable types of derivative products and transactions in the past few years are suffering declining returns as more banks compete to provide them. Having found that US banks had gained economies of scale in cash markets, it could now find the same in derivative markets.

Sir David says a way can be found through such a conundrum. But the most delicate task will be to reduce staff costs without causing further defections. Sir David does not mince words, arguing that there are not only "people doing jobs that are no longer required", but others "who are not doing their jobs up to their maximum potential or to the level of performance that their job requires".

Taken together, this is a huge task of reconstruction. Sir David will not be drawn on how long it might take, although he has already postponed his planned retirement at the age of 60 in June. He recalls that when he started work at S.G. Warburg at the age of 29, Sir Siegmund was already 62. There is also a tradition of longevity: Mr Henry Grunfeld, the 90-year-old co-founder, still attends the office daily when fit.

"I am sure we can continue as an independent bank. There is no reason why a business worth £1.5bn should not be, but the art is to find the right composition for that business," says Sir David. He responds to the suggestion it will take at least two years by saying it is "a valid view". Yet his attempt to reinvent Warburg could prove more difficult even than the construction of the combined group in 1986.

If he fails, it will be a sad ending to a career that was built around Warburg. It could also end the chances of one of the new group of executives around him succeeding him as chief executive. For the moment, Warburg retains its defiance of those who predict its demise. But Sir David must restore to his bank not only profits, but an indefinable discipline and pride. Without them, Warburg cannot hope to remain independent.

Fallen on his own sword

Simon, the sixth Earl of Cairns, was ensconced at home at Bolehyde Manor yesterday, answering the telephone and expressing the hope that callers would get the information they wanted by contacting S.G. Warburg. In crisis, he retained his sang froid.

On Saturday morning, Lord Cairns met Sir David Scholey, Warburg's chairman and the man who yesterday pledged to get the UK's leading investment bank "back on the right road". Lord Cairns told him that he intended to resign, having started to lose the confidence of Warburg staff.

"Maybe they were not listening properly, or he was not telling them well enough, but he could no longer communicate the vision," said one director yesterday. The judgment of most Warburg employees was that he allowed the bank to drift, despite his intelligence and analytical skill.

Sir David yesterday insisted that the decision had been Lord Cairns's alone. Other directors say his sense of honour, and concern for the firm's well-being, led him to fall on his sword unaided. "Simon is a sensible chap, and he has always been capable of making up his own mind," said one.

The setback leading to his resignation was the collapse in December of merger talks with the US investment bank Morgan Stanley – aimed at making Warburg an undisputed global player – on which he gambled his personal standing. He was convinced of the logic of a merger and would have shared the chief executive's role in the combined bank envisaged.

But after talks collapsed, Lord Cairns never managed to re-establish the belief within Warburg that it had a clear, tenable strategy for independence. In failing to do so, he was hindered by his own patrician, understated manner – which charmed many company chairmen but failed to enthuse Warburg employees when crisis struck.

The resignations of Mr Maurice Thompson and Mr Michael Cohrs, the joint heads of Warburg's equity syndication arm, showed that loyalty was crumbling. The two men, who played a crucial role in international equity distribution, were promptly followed by eight other staff.

Cairns, who made his name as a merchant banker by devising the US and UK offer of shares in British Petroleum in 1977, was held in higher regard by Warburg's corporate financiers than by its securities specialists. The former respected his ability to think up new ideas, and persuade clients.

"He has got me out of more than one mess by going to see a company chairman," said one Warburg corporate financier. His dry sense of humour and lack of bombast worked well in such situations. But they failed to inspire when he was trying to rally his troops, or convey Warburg to the outside world.

An Old Etonian disdain for modern business-speak made him avoid sound-bites. But when asked whether cuts in bond operations would help him sleep more easily, he replied that costs had fallen 5 per cent – adding laconically: "Whether I am sleeping 5 per cent more easily, I find it hard to estimate."

Lord Cairns had a tough act to follow in Sir David, who created the merged group in 1986, and who is regarded as a tough, inspiring leader. "We have all done mad things for David, and we will do them again. He is a phenomenal character," says one executive.

Some Warburg executives believe the bull year of 1993 was when costs escalated, and Lord Cairns failed to crack down strongly enough. "Perhaps he needed to be a harder edged and tougher and nastier character then, when everybody wanted to spend money, and expand," says one Warburg executive.

When Mr Thompson and Mr Cohrs resigned, Lord Cairns could no longer maintain control. Despite the fact that shareholders appeared still to be largely satisfied with management, he was coming under severe pressure. His resignation had been settled by the time that Warburg directors met on Sunday.

Yet the vision of directors scattering into the night after Sunday's five-hour board meeting, and Lord Cairns returning to his Wiltshire home, may prove hard to dispel. Something of the firm's composure and calm was lost that night, even if its departed chief executive retained his own in defeat.

OBSERVER

Love among the censors

■ So the statistical wonks at the American Census Bureau have a heart after all. Specially for February 14 comes a snapshot of the marital state of the country.

No surprise in the "findings" that Americans are getting married later than ever before. Figures for 1993 indicated that, among those in the second half of their 20s, 20 per cent of women and 30 per cent of men had not yet tied the knot.

But some are trying quite hard to get hitched – or re-hitched. Florists report an 18.9 per cent increase in Valentine's Day deliveries between 1987 to 1992. The value of manufacturers' production of cards jumped from $128m to $210m in the same period. No word, sadly, on the statistical chances of a single female New Yorker meeting a marriageable male before she retires – or even after.

The official explanation for the arrival of the numbers at such an apposite season is that the bureau is "trying to be aware of months and days to sort of circulate our name". Does that constitute a proposition?

Holier than thou

■ Time to stop describing Pope John Paul II as a crusading pontiff, apparently. The head of the Roman Catholic Church, who last year talked of the need to recognise "historic failings" in time for the millennium, is now training his critical eye as far back as the Crusades.

The First Crusade to liberate the Holy Sepulchre was called by Pope Urban II, 900 years ago, and it seems the related bloodshed, not to mention the atrocities of succeeding centuries, which included the sacking of Constantinople in 1204, have been preying on the current pontiff's mind.

When the Pope proposed last year that the Church should perhaps admit its mistakes, cardinals gave him a lukewarm reception, arguing that the Church should, if anything, use its millennial celebration to analyse recent history and not the murky past of the Inquisition and religious wars. But the Pope is still intent on proffering advice for any latterday Richard Lionhearts or Saladins. These days, he told Sunday's congregation, we know the best way of sorting out such religious disputes is "patient, resolute but respectful dialogue". Goes without saying, doesn't it?

Own goal

■ Cries of foul have ricocheted around Africa following the news that FIFA, football's world governing body, has cancelled next month's youth football World Cup tournament in Nigeria.

The decision was taken on health grounds following outbreaks of cholera and meningitis in Kaduna and Enugu, two of the four venues.

Nigeria has spent $75m preparing for the event and the government was hoping for some some positive attention at last. Nigeria's friends are furious. The Organisation of African Unity says FIFA's decision would have "negative and grave consequences on Africa's future participation in international football tournaments."

Yesterday Fifa agreed to reconsider its decision to drop Nigeria. But its options are limited. Given that next year's African nations' cup has already been moved from Kenya to South Africa, it would seem a mite unfair if SA also scooped up the youth tournament.

Watch out

■ Good to know that UN secretary-general Boutros Boutros Ghali was not marking time in Switzerland last month. As well as looking in to address the Davos World Economic Forum, he also stopped by Geneva to visit Nicolas Hayek, boss of Swiss watch manufacturer SMH.

The result was an agreement that Swatch will produce one million plus commemorative watches for the UN's 50th anniversary.

The organisation gets to keep an undisclosed percentage of the profits. But don't expect the margins on this mass-market, and now less than up-to-the-minute, item of wrist wear to solve the UN's funding problems overnight.

Clamouring voice

■ Some years back, The Economist, the weekly magazine half-owned by the FT, acquired a bi-weekly Washington DC publication called Roll Call, which serves the peculiar needs of Washington's massive bureaucracy. The idea now is to do the same for Brussels. The European Voice should hit the streets in May.

The new editor is John Wyles, a former FT staffer who left to become deputy editor of the Italian newspaper Indipendente. That publication collapsed in November 1994 after just three years. With Economist backing, let's hope things will be different this time.

Fast food

■ Toyota, Japan's largest car maker currently embarked on its biggest ever cost-cutting exercise, has found a novel – not to say inexpensive – way of giving in to public pressure for a shorter working day. It has agreed that henceforth the number of hours spent at work each year will fall from 1,952 to 1,891 – by lopping 15 minutes off the 60-minute lunch break. Everyone will spend an unchanged 7 hours 40 minutes on the production line.

The Financial Times

100 years ago

Lyric Theatre Company
The statutory meetings of the creditors and shareholders of the Lyric Theatre were held yesterday at Carey Street [London] W.C. before Mr C.J. Stewart, Official Receiver. The comic operas produced at the theatre, although artistic successes, have been financial failures, a loss of about £21,000 having been made by the company upon seven productions. The failure of the company is attributed to the expenses having exceeded receipts by reason of its having borrowed money at a ruinous rate of interest.

50 years ago

F.W. Woolworth & Co
In the light of the past year's results, there is reason to think that 1943 marked the bottom for Woolworth's profits and dividend. The recovery in 1944; with a 12.8 per cent improvement in profits and a 5 per cent advance in dividend to 45 per cent, is distinctly encouraging. [The Woolworth retail chain in the UK is now part of the Kingfisher group]

FINANCIAL TIMES
Tuesday February 14 1995

UK industry prices leap stirs interest rate fears

By Robert Chote, Economics Correspondent, in London

British manufacturers pushed up their prices more sharply than expected last month in response to the biggest annual increase in their fuel and raw material costs for 10 years, official figures showed yesterday.

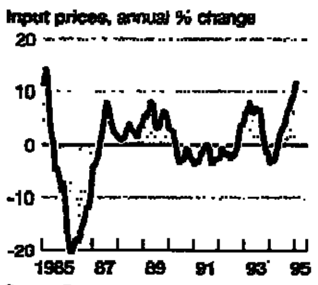
The figures stirred fears among City of London economists of another rise in UK interest rates, in order to keep inflation under control. The prospect of higher borrowing costs helped depress London share prices, pushing the FT-SE 100 index 28.8 points lower to 3,081.1.

The rise in output prices was largely a response to higher fuel and raw material costs. These rose by 11.5 per cent in the year to January, the biggest increase since 1985. Input costs rose by a seasonally adjusted 1.3 per cent in January alone.

"These are in a sense the first set of distinctly worrying inflation numbers we have had," said Mr Keith Skeoch, chief economist at brokers James Capel.

UK producer prices

Input prices, annual % change



Source: Datastream

But rises in manufacturers' prices have so far had a limited impact on prices in the shops. Today's distributive trades survey from the Confederation of British Industry provides further evidence of the difficulties retailers face. Spending in the shops was well below retailers' expectations last month, following a buoyant Christmas.

Manufacturers raised their prices by 0.9 per cent in January to a level 3.4 per cent higher than a year earlier, according to the Central Statistical Office. This was the highest rate of factory gate inflation for 11 months. Less than half the rise in factory gate prices was the result of the excise duty rises imposed in December's "mini-Budget". The seasonally adjusted rise in prices in January alone on this measure was the biggest for four years.

The Treasury said the figures reflected higher commodity prices, a pick-up in labour costs and efforts by manufacturers to rebuild profit margins.

The factory gate price figures and the CBI survey highlight the dilemma facing the Treasury and the Bank of England in setting interest rates.

Rates have been raised largely to choke off incipient inflationary pressure in industry. But higher rates have also depressed already weak consumer spending growth and the moribund housing market.

Tomorrow's headline retail price inflation figures will be an important indicator of the extent to which cost pressures are feeding through to consumers in the shops.

Bonds, Page 24
London stocks, Page 30

Three US airlines to curb travel agents' fees

By Richard Tomkins in New York

Three of the four biggest US airlines have shocked the country's travel agency industry by curbing the automatic 10 per cent commission paid to agents on every ticket sold.

American Airlines, Delta Air Lines and Northwest Airlines will carry on paying a 10 per cent commission for lower-fare tickets, but are introducing a ceiling of $25 for commissions on one-way tickets costing more than $250 and a ceiling of $50 for round-trip tickets costing more than $500.

The American Society of Travel Agents said the resulting cut in revenues would have a "devastating" impact on US travel agencies and could drive thousands out of business.

The move could also hit passengers because agents will try to compensate for lost revenue by charging customers for booking airline tickets.

Last year the US's 34,000 travel agencies collected $6.2bn in commissions on airline ticket sales. About 20 per cent of tickets sold were for journeys costing more than $250 one way or $500 return.

Travel agencies say the cost of selling an airline ticket averages about $25 for each transaction, so at a commission rate of 10 per cent, they only begin to make a profit when the cost of the ticket sold exceeds $250. The commission ceiling announced by the three airlines applies only to domestic travel, but this accounts for 65 per cent of agents' revenues from air ticket sales.

Small agencies dealing with the public are likely to be most severely affected. If they start charging customers a fee for booking airline tickets, people will try to save money by booking directly with the airlines.

Large agencies dealing with business customers may be less severely affected because many already charge a fee for their services and, as part of the deal, simply pass on the commissions they receive from the airlines to their customers.

LEX COLUMN

Warburg wins respite

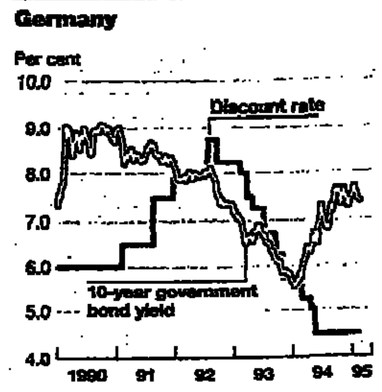
S.G. Warburg has won itself a breathing space. Sir David Scholey may be as responsible for the failed Morgan Stanley merger talks as Lord Cairns; but he is a better communicator and so has a fair chance of restoring morale and stemming defections. Still, any honeymoon period will not last long and keeping morale high will be hard when Warburg also has to cut costs. Much depends on how well the younger team promoted to the investment bank's new executive committee performs.

Though the challenges are great, Warburg retains strong positions in UK corporate finance and equities – not to mention asset management. The snag is that it is making precious little money from investment banking, as yesterday's profits warning rammed home. If the market value of Warburg's 75 per cent stake in Mercury Asset Management is subtracted from the group's total market capitalisation, the investment bank is valued at only £520m – a discount of nearly 40 per cent to net asset value.

The discount would be greater if some investors did not view every piece of bad news as evidence that Warburg was ripe for takeover. In the short run, the speculation looks overdone: a hostile bid would be hard to mount, and Warburg would be foolish to engage in friendly talks until the situation stabilised. But with the bank's global strategy in tatters, merger must remain a medium-term possibility.

FT-SE Eurotrack 200:
1396.5 (-8.0)

Germany



Source: Datastream

German wage round

If, as expected, Germany's IG Metall union calls for a strike ballot today, should it be seen as anything more than sabre-rattling? After all, such an intensification of hostilities is usual at this stage in the wage round and need not lead to a damaging strike, which would not be in the interests of either industry or unions.

Union members still have more to fear from losing their jobs than settling for a meagre pay rise: unemployment is still higher now than it was a year ago, despite the economic recovery. Industry, for its part, is working close to full capacity and has no wish to sustain a loss of production. All this speaks for compromise, or at least a headline settlement of below 4 per cent compared with the 6 per cent sought by IG Metall. But any agreement has to be seen in the context of a previously agreed reduction in the working week, which the employers claim will add 2.8 per cent to unit labour costs. Even an apparently moderate settlement of 3 per cent would add significantly to industry's costs.

Industry will seek to absorb the fresh costs by further increases in productivity or by raising prices. The immediate impact on domestic inflation would be limited, but a settlement may lead to an increase in short-term interest rates. The Bundesbank will be keen to pre-empt the cyclical upturn in inflation, and the details of a wage settlement may provide the excuse. Thus a settlement may be just as unsettling for the bond market as a strike.

US airlines

Despite recent strong passenger growth, US airlines' profitability has remained meagre. But the decision by three of the four largest carriers to limit travel agent commissions on domestic flights could improve their fortunes.

The cost of such commissions increased from 5 per cent of passenger revenues in 1988 to an unsustainable 13 per cent last year. By cutting this, their third highest cost, the airlines should significantly boost earnings and be better able to compete against low-cost competition – hence the sharp rises in their shares yesterday and at the end of last week when news of the decision started to leak.

However, travel agents could be badly damaged because the move threatens to hit their most profitable business. Efforts to compensate for lost revenue by charging passengers fees are likely to meet consumer resistance. The agents' main hope is that United Airlines and the smaller carriers fail to follow their bigger brethren. Alternatively, they could complain about collusion to the US Department of Justice. Even so, the agents face difficult challenges. The airlines' efforts to introduce ticketless air travel may mean that agents are eventually by-passed altogether.

Courage

The 24 per cent profits growth achieved by Courage, the UK's second-largest brewer, must at least ease the pressure on Australia's Foster's Brewing Group to sell it. Volume growth in the shrinking UK market is no mean achievement. Courage has won market share for its two biggest brands, Foster's and John Smith's, and has also squeezed out substantial costs.

However, closer examination rubs off some of the gloss. The results are flattered by rising sales to Courage's joint venture Inntrepreneur Estates. IEL pays far more for its beer than other bulk buyers, under an agreement expiring in March 1998. Growing sales to IEL have a disproportionate impact on Courage's profits: but the benefit will be short-lived.

Given this deadline on growth, Foster's will eventually want to switch capital into faster growing markets, probably in Asia. Its other significant markets, Australia and Canada, are both mature. The current Office of Fair Trading investigation into UK brewing will delay any disposal negotiations; but given Courage's growth track, Foster's can afford to wait. That means over-capacity and aggressive competition could remain cruel facts for UK brewers for some time to come.

Kingfisher

The removal of Mr Nigel Whittaker from the board of Kingfisher is charged with symbolism: short of getting rid of himself, Sir Geoffrey Mulcahy could not have ousted anyone more closely associated with the UK company's once glorious past. Together with the slimming down of the corporate headquarters and the management reshuffle at the subsidiaries announced last week, the move is a welcome sign that the group is focusing on retailing basics. But these developments are mere tinkering compared with the magnitude of the management tasks ahead, chiefly sorting out Woolworths and Comet.

Additional Lex on Misys, Page 22

France launches new call for quotas on US films and TV

By Emma Tucker in Bordeaux

France will today launch a fresh offensive against US television and film exporters in what seems an increasingly desperate attempt to persuade other EU member states to follow its policy of protecting European culture.

At a meeting of EU cultural ministers in Bordeaux, Mr Jacques Toubon, the French minister, will insist Europe needs to impose strict content quotas on its broadcasters to protect indigenous film and television industries from being swamped by US exports.

In a battle between French interventionists – backed largely by the EU's southern member states – and the economic liberals of the UK, Luxembourg, and to an extent Germany, France is struggling to get the tough regime that it demands. It wants the ministers at Bordeaux to agree to put pressure on the European Commission to tighten the existing European law.

The law – known as Television Without Frontiers – requires 51 per cent of material shown by European channels to be of European origin, but only "wherever practicable".

The French argue this loophole introduces legal ambiguity into the directive and allows member states which oppose quotas to ignore it.

The directive had been due for revision by the end of last year. But arguments within the Commission over the effectiveness of quotas, as well as differences over how new electronic on-demand services should be treated, stopped the Commission producing definite proposals under Mr Jacques Delors, the Frenchman who was the previous Commission president.

The French are worried that Mr Jacques Santer, the new president, does not share their views. Mr Santer, from Luxembourg, has expressed caution over quotas, arguing that other options need to be considered. France gives considerable aid to its own film and television industries and has its own system of quotas.

In an opening shot ahead of today's meeting, Mr Stephen Dorrell, UK national heritage secretary, made clear Britain was opposed to protecting the audio-visual industry through quotas.

Warburg

Continued from Page 1

next chief executive from outside. He told staff in an internal memorandum that Warburg had to regain "our old habits of rigorous quality and cost control". Some directors believe Warburg has built up too costly an infrastructure around the world.

Mr Buchan, Mr Chandler and Mr Nicholls were appointed directors. Warburg said that "a number of directors would retire in the normal course, and some new appointments would be made" at the annual general meeting in June. Warburg shares closed 20p down at 706p after initially dropping more than 30p on the announcement.

HOW THE DIFFICULTIES MOUNTED FOR LORD CAIRNS

September 11 1991: Lord Cairns, after 12 years at Warburg, promoted from vice-chairman to chief executive

May 25 1994: Cairns designated successor as chairman when Sir David Scholey stands down in 1995. Warburg reports record pre-tax profits of £297m for financial 1993

July 2: Enterprise Oil, advised by Warburg, fails in its bid for Lasmo. There is City criticism of Warburg's handling of the bid

October 3: Warburg issues first-half profits warning, blaming market conditions

November 8: Market conditions are mainly responsible for investment banking profits collapsing to £5.5m.

December 8: Warburg discloses it is in merger talks with Morgan Stanley after share price jumps on bid speculation

December 15: Morgan Stanley breaks off talks, saying it is unwilling to buy Warburg without Mercury Asset Management

January 9 1995: Warburg says it is largely pulling out of the eurobond market at a cost of 180 jobs

January 18: Warburg and MAM shares surge on renewed speculation that the group is a bid target

January 31: Peter Bass, former joint head of fixed income and treasury division, resigns after rejecting a job in US

February 7: Maurice Thompson and Michael Cohrs, joint heads of equity capital markets at Warburg, quit to join Morgan Grenfell

February 9: Announcement that merchant banking and stockbroking arms will report directly to Lord Cairns, sidelining the chairmen of the two units. Eight more defections from equity capital markets

February 11: Lord Cairns offers his resignation to Sir David Scholey

February 12: Sunday emergency board meeting to discuss management of the firm

February 13: Warburg announces Lord Cairns' resignation from all appointments at the investment bank

Chronology compiled by Nicholas Denton

FT WEATHER GUIDE

Europe today

Low pressure south-west of Iceland will direct moist and mild air into the British Isles, causing widespread rain. The rain will reach western France late in the day. Rain is also expected in northern Portugal and central Spain.

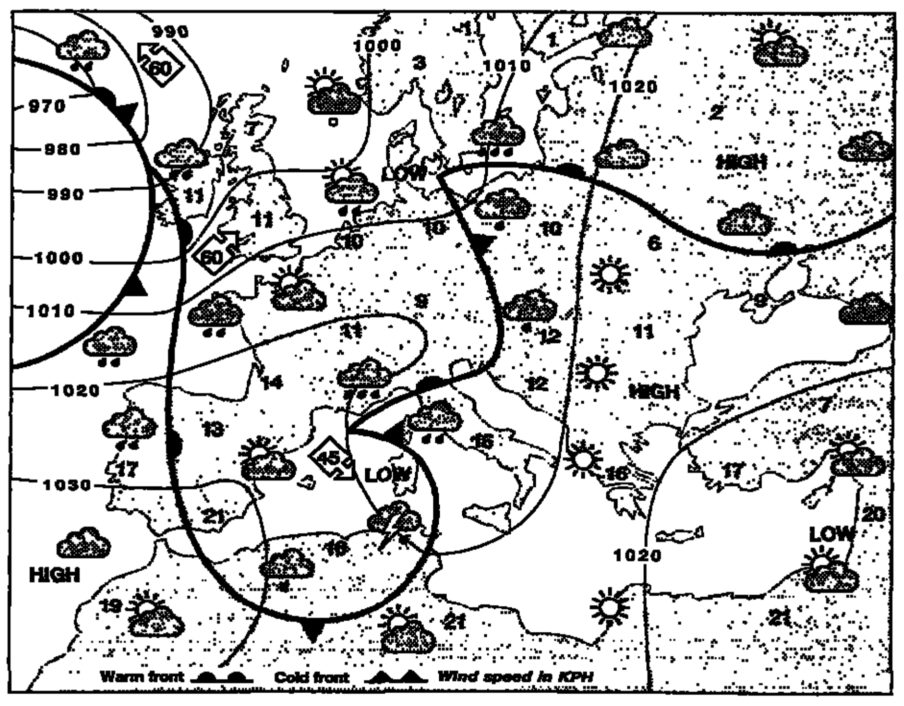
Meanwhile, eastern France and southern and eastern Spain will be dry with sunny spells because of a ridge of high pressure.

Rain or sleet will push into southern Scandinavia, while rain will also sweep through Poland, the Czech Republic, Austria and Italy. Light to moderate snow will fall in the southern Alps.

South-eastern Europe will be quite sunny. The eastern Balkans, Greece and western Turkey will have widespread sunshine.

Five-day forecast

Low pressure systems will continue to develop over the Atlantic and move towards the British Isles. For most of the week, Germany, France, the Low Countries and the British Isles will have rain. Particularly heavy rain will fall in northern and western Spain and in Portugal. Bright conditions with sunny spells are expected in Italy, the Balkans, Greece and Turkey. It will be cloudy and wet in eastern Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	22
Accra	fair	32
Algiers	fair	18
Amsterdam	fair	10
Athens	sun	16
Atlanta	cloudy	12
B. Aires	fair	28
B.ham	rain	11
Bangkok	fair	35
Barcelona	fair	15
Beijing	fair	8
Belfast	rain	8
Belgrade	fair	14
Berlin	cloudy	10
Bermuda	shower	21
Bogota	sun	25
Bombay	fair	29
Brussels	fair	10
Budapest	cloudy	11
C.hagen	shower	5
Cairo	fair	20
Cape Town	fair	25
Caracas	fair	28
Cardiff	rain	10
Casablanca	sun	19
Chicago	snow	-1
Cologne	fair	11
Dakar	fair	25
Dallas	fair	18
Delhi	sun	23
Dubai	sun	24
Dublin	rain	10
Dubrovnik	cloudy	16
Edinburgh	rain	8
Faro	cloudy	19
Frankfurt	cloudy	12
Geneva	fair	10
Gibraltar	fair	18
Glasgow	rain	9
Hamburg	cloudy	10
Helsinki	snow	1
Hong Kong	cloudy	21
Honolulu	fair	27
Istanbul	fair	11
Jakarta	shower	30
Jersey	rain	12
Karachi	sun	28
Kuwait	fair	21
L. Angeles	fair	16
Las Palmas	sun	22
Lima	fair	29
Lisbon	shower	18
London	rain	12
Lux.bourg	cloudy	8
Lyon	sun	12
Madeira	fair	20
Madrid	shower	12
Majorca	sun	16
Malta	shower	17
Manchester	rain	10
Manila	cloudy	30
Melbourne	sun	33
Mexico City	fair	25
Miami	fair	26
Milan	rain	10
Montreal	fair	-9
Moscow	cloudy	2
Munich	rain	10
Nairobi	cloudy	27
Naples	rain	16
Nassau	fair	26
New York	fair	2
Nice	sun	14
Nicosia	sun	19
Oslo	snow	1
Paris	fair	12
Perth	fair	28
Prague	cloudy	8
Rangoon	sun	31
Reykjavik	cloudy	4
Rio	cloudy	29
Rome	rain	14
S. Frsco	fair	12
Seoul	sun	5
Singapore	shower	30
Stockholm	rain	4
Strasbourg	fair	12
Sydney	shower	26
Tangier	fair	18
Tel Aviv	fair	21
Tokyo	fair	10
Toronto	cloudy	-6
Vancouver	rain	2
Venice	cloudy	10
Vienna	rain	9
Warsaw	cloudy	9
Washington	fair	5
Wellington	fair	18
Winnipeg	snow	-19
Zurich	fair	10

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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 14 1995

IN BRIEF

Cap Gemini turns the corner

Cap Gemini Sogeti, the Paris-based international computer services group which has undergone a radical restructuring during the past two years, returned to profit in the second half of 1994. Page 18

Dyno proposes doubled dividend
Dyno, the Norwegian global chemicals, plastics and explosives group, unveiled record full-year profits for 1994 and proposed to double the dividend payment to NKr4 a share. Page 18

Grappling with the peso problem
As public investment is slashed and the government's austerity programme begins to bite in the wake of the Mexican devaluation, Cemex, the cement company is grappling with the consequences. Page 20

Australia aids Foster's rise
Foster's Brewing Group reported a 26.1 per cent increase to A$225.1m ($168m) in profits before tax and abnormals for the half-year to end-December, helped by a strong performance from its Australian brewing operations and lower interest charges. Page 21

Kobe Steel assesses damage
Kobe Steel, one of Japan's leading integrated steelmakers, said that initial estimates of damage it incurred as a result of January's earthquake came to about Y74bn ($750m). Page 21

'Astute' move by Pearson
Media analysts in Hong Kong described the decision by Pearson, the UK media and entertainment group, to take 10 per cent of Television Broadcasts (TVB), Hong Kong's leading broadcaster, as an astute move. Page 21

Heavy turnover in Fairfax shares
Heavy turnover in shares of John Fairfax, the Australian newspaper publisher, continued for the second consecutive trading day with speculation that interests related to Mr Kerry Packer were behind the buying. Page 21

HK drops self-regulation plans
The Hong Kong stock exchange has abandoned plans for greater self-regulation among market practitioners. Page 21

SIB warns on special derivatives
The UK Securities and Investments Board warned that derivatives contracts of the kind struck by Swiss Bank ahead of Trafalgar House's £1.2bn ($1.87bn) bid for Northern Electric "risk" breaching its rules. Page 22

ASH denies crisis
Lord Lane of Horsell, chairman of Automated Security (Holdings), the electronic security systems group, denied that the company was in crisis refinancing talks with its bankers. Page 22

Govett sued for libel
The fund which last week sacked Govett & Co as fund manager and launched a suit against it intensified its legal offensive with a libel action. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Schmal Lubeca	334.5	+	9.5
Falls			
Allianz	2465	−	28
DLW	390	−	8
Herlitz	255	−	6
Lahmeyer	590	−	15
Siemens	683	−	7.5
NEW YORK ($)			
Rises			
Gen Motors	40⅞	+	1
Microsoft	62⅜	+	⅛
Northwest Air	22	+	1
UAL	86¼	+	1¼
Falls			
Amgen	65⅛	−	2⅛
Biogen	40	−	1
LONDON (Pence)			
Rises			
ACT	107	+	30½
Br Data Man	198	+	8
Falls			
Auto Security	82	−	12
Division	88	−	8
Eurovein	88	−	51
Misys	360	−	49
TORONTO (C$)			
Rises			
Can Gen Inv	29⅝	+	1⅛
Chrysler	66⅛	+	2
Gen Motors	56⅛	+	1⅛
Hemosol	8⅛	+	1⅛
Potash	54⅛	+	1½
Falls			
Franco-Nevada	81½	−	1½

PARIS (FFr)			
Rises			
Chargeurs	1210	+	33
Cr Nationale	400	+	11.1
Falls			
Accor	548	−	9
Imetal	499	−	13
Roussel-Uclaf	682	−	22
Soc Generale	530	−	12
TOKYO (Yen)			
Rises			
Mitsui Fudosan	1070	+	10
Mitsub Est	1050	+	30
Sumitomo Const	794	+	23
Falls			
Fudo Cons	1250	−	50
Nissan	723	−	10
Toshiba	615	−	14
HONG KONG (HK$)			
Rises			
Dah Sing Fin	15.6	+	0.5
Dairy Farm	8.05	+	0.4
Falls			
China Motor	54	−	0.7
HSBC	80	−	0.5
Hang Seng Bk	45.4	−	0.6
Wharf	25.2	−	0.5
BANGKOK (Baht)			
Rises			
Int Cosmetics	318	+	8
Mutual Fund	612	+	8
Falls			
Am Standard	402	−	18
Jasmin Int	408	−	10
Sanyo Universal	420	−	12
Siam Cement	366	−	24

New York & Toronto prices at 12.30.

Fourth quarter lifted by volume sales, currency advantages and productivity gains

Saab makes first profit in six years

By Hugh Carnegy in Stockholm

Record returns in the fourth quarter of 1994 confirmed a long-awaited recovery at Saab Automobile, driving the Swedish carmaker to its first full-year profit for six years and the first since General Motors of the US bought a half share and took control of the company in 1989.

Saab reported a pre-tax profit of SKr702m ($95m) for the full year, compared with a loss of SKr1.37bn in 1993. A sharp rise in volume sales, the weakness of the Swedish krona and productivity gains were the chief factors in a recovery which accelerated throughout the course of the year, culminating in a pre-tax fourth quarter profit of SKr418m, a turnround from a SKr321m loss in the last quarter of 1993 and the best quarterly profit ever achieved by Saab.

Retail sales of cars jumped to 88,700 from 73,600, with unit sales in the US, Saab's biggest single market, rising to 21,521 from 18,688. The improvement was in large part due to strong demand for Saab's new 900 model launched in 1993 which competes with models such as the BMW 3 Series. The 900 accounted for 54,838 of the total number of cars sold as the value of group sales rose to SKr19.3bn from SKr16.1bn.

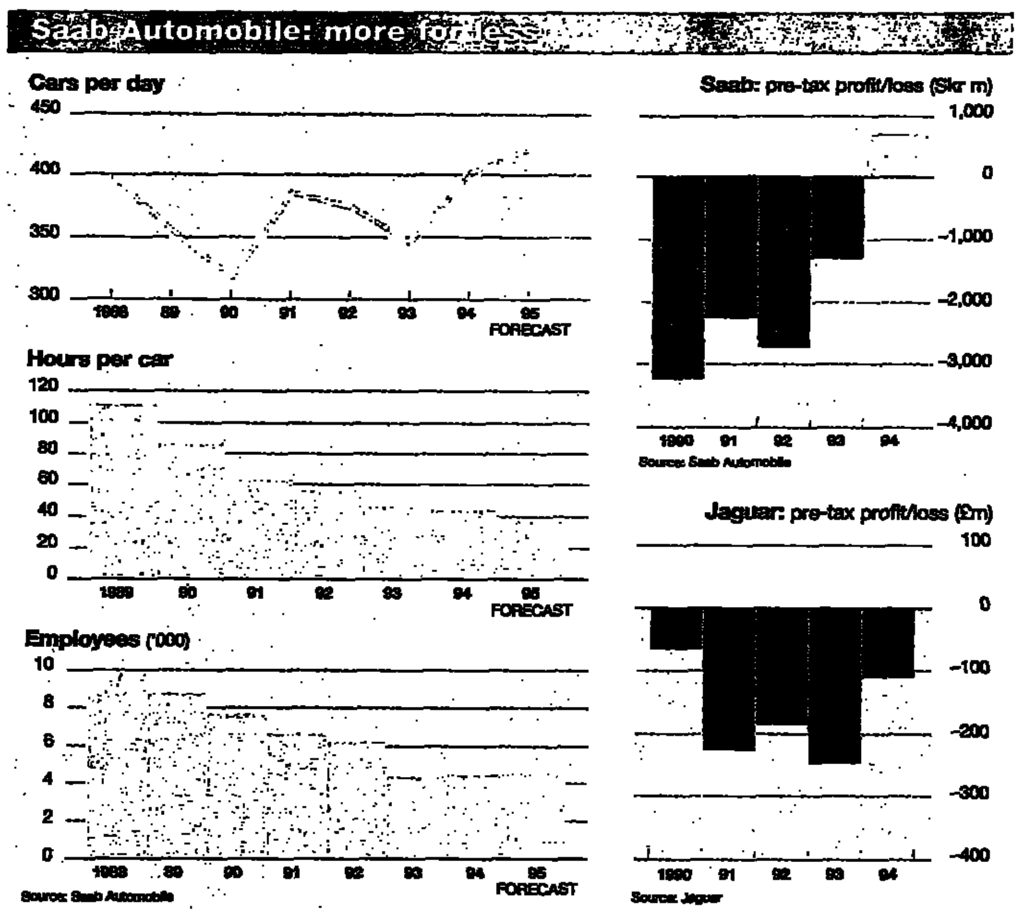
The result came after a five year struggle by GM and Saab-Scania, the Swedish co-owner, to staunch a flow of losses that exceeded SKr11bn since 1988 and required capital and loan injections of more than SKr10bn. The number of employees has been cut from almost 15,000 in 1990 to less than 8,000 today and the break-even level is down to around 83,000 cars a year.

But Mr Keith Butler-Wheelhouse, Saab's British chief executive, said the company still had further to go to match "world class" standards of efficiency and quality. "It is important that we don't level out where we are – that we continue the process in the years to come," he said.

Saab expects unit sales of more than 100,000 this year. It said it will spend SKr1.2bn on a building a new paint shop and is developing a replacement for its larger 9000 model by 1997. But Mr Butler-Wheelhouse said no decisions had been made on adding a third model to the 2-model Saab range – a vital step if Saab is to secure its long-term future – apparently due to hesitancy about the cost.

Saab's debt to equity ratio stands at 80 per cent – with SKr3.4bn in subordinated loans from GM and Saab-Scania counted as equity.

"We have to prove to our owners more conclusively our ability to generate some the cash [needed for developing a new model] ourselves," Mr Butler-Wheelhouse said.



Costly business of running a luxury marque

The medicine has been bitter but after five years of losses Saab and Jaguar, the executive and luxury carmakers, have clawed their way back into the black. The workforces have been halved, the balance sheets restructured several times and plants have closed.

Two weeks ago Jaguar announced a quarterly profit in the final three months of 1994, its first since early 1989. Yesterday Saab disclosed a pre-tax profit for 1994 of SKr702m ($95m), bringing to an end five successive years of losses.

The businesses have turned the corner, but General Motors and Ford, the world's two biggest vehicle makers, have discovered that indulging a taste for European luxury can be an expensive business.

GM of the US paid $600m to acquire 50 per cent and management control of Saab in 1990. The other 50 per cent remains with Saab-Scania, the Swedish truck and aerospace group. The two partners each injected $100m in new equity.

Since 1990 Saab has racked up total losses of SKr9.6bn. It has been back to its shareholders and the banks for new funds to keep it afloat three times. GM and Saab-Scania have injected another SKr4.9bn in equity and provided SKr3.4bn in subordinated loans. The picture has been little different at Jaguar. In the six years from 1989 to 1994 it ran up total pre-tax losses of £885m and was recapitalised with around £555m in new equity between 1991 and 1993.

Only the acquisition price was different at Jaguar. Ford paid £1.56bn for outright control at the end of 1989. The company had tangible assets of only about £300m.

In retrospect Ford paid a very high price. Mr Bill Hayden, the first chairman and chief executive Ford appointed to Jaguar, described the factory conditions at Jaguar as worse than in any facility he had seen outside a Russian car plant in Gorky.

Distracted by restructuring problems at home, GM and Ford had slept through the luxury car challenge that was being prepared in Japan by two of their biggest rivals.

Toyota and Nissan had spent the second half of the 1980s developing luxury cars to compete with the best that BMW and Mercedes-Benz could offer. The Lexus (Toyota) and Infiniti (Nissan) ranges took the US market by storm from late 1989. GM and Ford with their traditional Cadillac and Lincoln cruisers offered little resistance.

Without the time or inclination to take on the challenge of developing and engineering new luxury car ranges as well as the dealer networks, GM and Ford sought acquisitions in Europe. However, they discovered that they had bought carmakers that had fallen out of touch with world-class standards in development, engineering and manufacturing.

Mr Peter Möller, Saab vice-president for technical development and manufacturing, says Saab was ill-prepared for recession and the arrival of potent competitors, having been cushioned by windfall profits from its US sales in the mid-1980s when the dollar was strong.

Since 1990 it has been forced to undergo a restructuring, and has had to learn and implement lean production and engineering.

- It has centralised its assembly and technical operations and closed a new assembly plant which had been in operation for less than 18 months.
- It has given up in-house manufacture of some components where it was not competitive.
- It has taken advantage of the scale offered by GM to pursue a global components purchasing strategy. According to Mr Keith Butler-Wheelhouse, Saab chief executive, this has allowed the company "vastly to reduce costs particularly in the purchase of standard material such as sheet steel, batteries and tyres". Materials cost savings alone now total around SKr2bn since 1990.
- The adoption of lean manufacturing methods including team working, continuous improvement, just-in-time delivery of components and synchronised production with the reduction of inventories, has transformed productivity and quality levels.

Saab now has 7,830 employees worldwide who made 90,084 cars last year, roughly the same output as in 1990, when the workforce was more than 15,000.

Initially GM thought that most of the painful rationalisation had been achieved in the first two-and-a-half years of its control, but in late 1992 when Mr Butler-Wheelhouse was appointed chief executive, it was forced to cut a second swathe through the organisation.

"It was a bit of a nightmare," says Mr Butler-Wheelhouse. "The losses were absolutely astronomical, the company had a negative net worth and was knocking on the door again for more money. We were losing $1m a day including Saturdays and Sundays. We did not rest.

In the second round of cuts Saab decided to reduce sharply its financial support to its dealer network in the US, its biggest single market, which alone accounted for $100m of its $360m losses in 1992. "We were selling cars in the US for $4,000 less than they were costing us," says Mr Butler-Wheelhouse. "We cut our sales support in the US by more than 50 per cent, but we broke even on the operation in 1993."

Saab is now back in profit supported by the devaluation of the Swedish krona, a revival of demand in the US and western Europe and the launch in 1993 of the new generation Saab 900.

Having stabilised its finances, though still carrying a heavy debt burden, Saab is now embarking on its "second revolution", aimed at cutting the hours per car in assembly from 42 last year to 30 by 1998.

Mr Möller expects around half of the gains to come from management processes, higher quality and preventive maintenance. The other half will come from engineering improvements linked to the development of a new model range, which will replace the Saab 9000 executive car and which is due to be launched in late 1996-early 1997.

Mr Möller says the next revolution will focus on costs, especially in product development.

A key to GM's future success with Saab will be its ability to ensure that Saab products draw the greatest cost benefits in development and manufacturing from its integration into GM's technical development processes without compromising the integrity or brand image of Saab cars.

The use of components already developed and tested by GM can help cut the development time for a new model by up to 12 months.

As part of its product planning Saab and GM are investigating the development of a third car range. Mr Butler-Wheelhouse insists, however, that it has still not decided whether it should aim at larger luxury cars or at smaller cars. "We need both," he says, pointing to Mercedes-Benz's development of smaller cars and BMW's takeover of Rover. "They will have small, medium, large and luxury cars."

As GM and Ford agonise over how to develop their premium brand acquisitions, Mr George Borst, general manager of Toyota's Lexus division in the US insists it is "substance" rather than "European makes' preoccupation with heritage and pedigree" that will win the day.

"The next level of luxury leadership will be won by those manufacturers, who can meet the needs of a very demanding consumer," he says "It's the taste of the steak that keeps you coming back – not the sound of the sizzle."

Kevin Done

Provision deepens loss at Pechiney

By David Buchan in Paris

Pechiney, the state-owned French packaging and metals group, yesterday reported a surprise FFr3.5bn ($660m) loss for 1994, after making FFr2.5bn provision for depreciation, but said it expected "very significantly improved" results for this year.

The increased net loss, from a loss of FFr980m in 1993, is largely the result of depreciation of goodwill for the purchase of American National Can in 1988. This US subsidiary is owned by Pechiney International, a publicly quoted company held two thirds by the Pechiney group. The group is proposing to cut Pechiney International's dividend from FFr5 to FFr3.

Preliminary unaudited figures showed a 11 per cent rise in group turnover from FFr62.9bn to FFr70bn last year, with a 10 per cent rise in operating profit to FFr2.6bn. The main improvement came on the aluminium side, which moved from a FFr276m loss in 1993 into a FFr480m profit. However, this improvement was partly offset by difficulties in the US packaging business.

Margins were squeezed because heavy sales continued throughout the year at very low prices negotiated in 1993, while the cost of aluminium had risen sharply. Pechiney said it would review its hedging of forward sales of primary aluminium to a more flexible system.

Yesterday's results are at odds with previous, more optimistic, estimates given by Mr Jean Gandois, before he left the head of Pechiney last July. He was replaced by Mr Jean-Pierre Rodier, who has carried out a management reorganisation. Yesterday he made it clear he was using the 1994 accounts to prepare the group for the privatisation which the Balladur government has promised after the presidential election this May. "This balance sheet has been prepared with the idea that there should be no nasty surprise left in the accounts at Pechiney before its privatisation which remains our goal at the end of this year," he said.

Mr Rodier is refocusing the group on its two main activities, aluminium and packaging, where the company said the 1995 outlook was promising. Metal inventories were continuing to decline on the aluminium market, while orders were piling up particularly for aluminium fabricated products.

Misys to buy ACT to create Europe's no.2 software group

By Paul Taylor in London

Misys, the computer software group, yesterday announced plans to acquire its UK rival, ACT, in an agreed £212m ($329m) cash-and-shares deal which will create the second largest computer software products group in Europe after SAP of Germany and one of the most profitable in the world.

The proposed deal brings together two specialists in the financial services software field with particular strength in the banking industry where they will have 50 per cent of the worldwide banking market.

ACT has two main banking software businesses, Kindle and BIS, while Misys acquired the Kapiti banking software business last year. The combined business will have annual banking software revenues of £140m and operating profits of £25m together with sizeable other niche software operations.

Misys, which has been expanding rapidly in recent years through acquisition, will offer 300p in cash and 2.2 new Misys shares for every 10 ACT shares. The offer values ACT shares at about 120p each. ACT's shares closed up 30½p at 107p while Misys shares fell by 49p at 360p.

The bid represents a substantial premium over the recent value of ACT shares which fell sharply at the end of last month after the company issued its second profits warning in seven months and announced senior management changes.

Mr Kevin Lomax, Misys's chairman, claimed that the price being offered was "fair and reasonable", adding that the real value of the ACT business was in its installed customer base. He said the two groups were "complementary" and said the deal made sense because "the banking market is an important international software market with opportunity for growth".

ACT, one of the oldest software companies in the UK, was founded 30 years ago by Mr Roger Foster. Still its chairman, he said yesterday the terms proposed by Misys represented "a very significant uplift for shareholders compared with the level at which our shares have been trading recently". After the merger all the ACT directors, including Mr Foster, will leave the board.

Mr Lomax said ACT shareholders were "being offered the opportunity to join a substantial group with a strong market position in the supply of banking, insurance and other financial business software. We believe the enlarged group will have a sound financial position, strong cashflow, experienced management and will benefit from a successful commercial strategy."

Background and Lex, Page 22

Sharp reduction in yearly net loss at Cap Gemini

By Paul Taylor in London

Cap Gemini Sogeti, the Paris-based international computer services group which has undergone a radical restructuring in the past two years, returned to profit in the second half of 1994.

The improved second half performance helped the group post a substantially reduced full-year net loss, according to provisional figures published yesterday.

Net losses for the full year fell to FFr95m ($18m), from FFr429m in 1993. Sales were 4.3 per cent higher at FFr10.15bn at constant exchange rates and "constant structure."

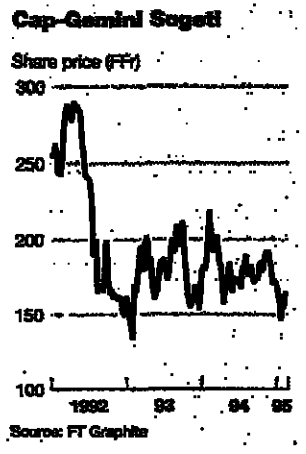
The full-year figures were struck after a second-half turnround in net income to FFr20m, against a loss of FFr231m in the 1993 period. Sales, which began moving ahead in the second quarter, increased by 7 per cent in the second half.

Mr Geoff Unwin, chief operating officer who has overseen the "Genesis" programme involving a radical group restructuring, said: "We are now back in the black and we intend to stay there."

Mr Unwin said the sales improvement has been underpinned by a strong order book which was 19 per cent ahead at the year end, representing about seven months of work.

At the operating level CGS saw the first benefits of its new application management service which began two years ago. "We sold just over FFr1bn of application management," said Mr Unwin.

The group, which has seen its information systems management (outsourcing) business grow by 30 per cent, ended the period with shareholders equity of FFr6.9bn.



Source: FT Graphite

Doubled payout and peak profit from Dyno

By Karen Fossli in Oslo

Dyno, the Norwegian global chemicals, plastics and explosives group, yesterday reported record full-year profits for 1994 and proposed to double the dividend payment to NKr4 a share.

Group pre-tax profit jumped to NKr693m ($103.9m) from NKr308m on record sales of NKr10.03bn, 22 per cent up on 1993 sales of NKr8.23bn.

Mr Arild Ingierd, president, said the upturn in the world economy lifted demand for many of Dyno's core products.

He said another important factor was a sharp rise in methanol prices which led to "very satisfactory" profits at Methanor, the group's Dutch methanol operations. Methanol prices rose steadily throughout 1994, from about DM300 a tonne in January to a peak of DM900 ($588) by end-November.

Group operating profit more than doubled to NKr868m from NKr415m, helped by an increase in sales and operating profits in all four of the group's business areas.

Explosives operations boosted operating profit to NKr225m from NKr182m as sales rose to NKr4.2bn from NKr3.9bn. The improvement stemmed mainly from Scandinavia, but results from North American operations were lower than in 1993.

Dyno attributed the 8 per cent sales rise to increased deliveries to all main markets and said an increase in raw materials prices was largely offset by higher selling prices.

Chemicals operations more than doubled operating profit to NKr580m from NKr272m as sales increased by 39 per cent to NKr3.29bn. Growth came mainly from adhesives factories in northern Europe, the Dutch methanol operation and the Asia-Pacific region.

Operating profit from plastics operations jumped to NKr116m from NKr16m as sales advanced 28 per cent to NKr2.46bn, helped by improved profitability and volume growth from the plastics division and the fuel tank systems division.

Omnitel keeps powder dry in phones battle

The group is intent on building a robust network before launch, writes Andrew Hill

Mr Francesco Caio, managing director of Omnitel Pronto Italia, was receiving visitors in a rented suite of a luxury Milan hotel last Friday, seated at a table strewn with his staff's bleeping mobile phones.

It is more than 10 months since Omnitel won the contest for Italy's second digital mobile phone licence. But for the moment, the ringing of these cellular phones spells cash in the bank for Telecom Italia, the state-controlled telephone company which is Omnitel's only rival in Italy.

Like Alexander Graham Bell experimenting with the first telephone, Mr Caio has already made one symbolic phone call on the Omnitel system, which uses the GSM standard already adopted by 12 other European countries.

But it will be the last quarter of this year before the company has built a network wide enough to justify launching its service to the public.

Telecom Italia, meanwhile, already has well over 2m mobile phone subscribers, mainly on its national analogue service. Its GSM service – already active, but so far unpublicised – will be launched formally on April 1.

"I'd like to be able to launch ours today, if possible yesterday," Mr Caio said after the first Omnitel press conference last Friday. "But potential customers say we had better have a network which is robust and well distributed across the territory before we launch."

Mr Caio speaks of the task ahead with a certain missionary zeal. Friday's presentation was subtitled "the freedom to choose" and he warns that nothing less than Italy's free-market credibility will be at stake if Telecom Italia uses its head-start in the market to stifle the growth of its new competitor.

There have been several skirmishes between the two companies, prompted by Telecom Italia's request that the government relax restrictions on analogue tariffs, to offset the impact of new competition. The new Italian government has yet to take a final decision on the demand.

In the meantime, both Omnitel and Telecom Italia are keeping their powder dry ready for the struggle ahead.

Mr Caio will reveal only that Omnitel intends to offer tough competition on more than just price: he points out that billing flexibility, customer service, and all-round quality (both of the signal and related services) are some of the other elements involved.

But he does not want to release information which will make Telecom Italia's job any easier.

In fact, analysts reckon the Italian market is big enough for both Telecom Italia and Omnitel to carve out a substantial business without having to gnaw away at each other's existing customer base. "There's no other market that has grown quite so rapidly as Italy," points out Mr Bill Coleman of James Capel in London.

Omnitel forecasts that the number of mobile phone users in Italy could grow to more than 8m by the beginning of the next decade, of which it expects to have at least 3m subscribing to its service.

That explains why Omnitel's shareholders, led by Olivetti, the Italian computer group, are prepared to stump up some L1,450bn ($898.4m) of new capital for the company. A 10-year project financing agreement worth L1,600bn has also been set up with Italian and international banks, to back an investment programme of L2,400bn over 10 years.

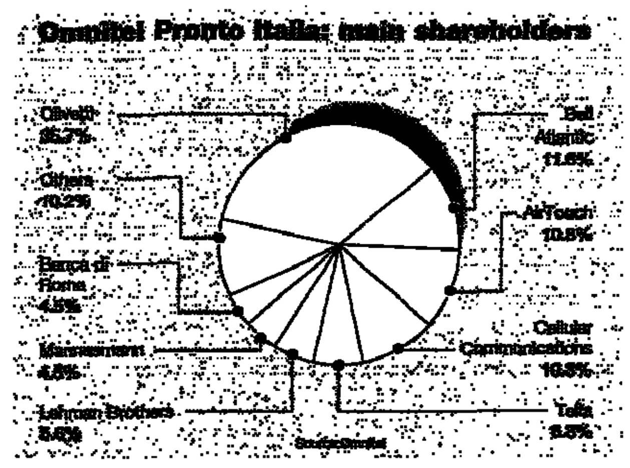
Half that investment is likely to be made in 1995 and 1996, as Omnitel constructs its network and launches the service. Telecom Italia, which has a fledgling GSM network in place, has pledged to spend L900bn upgrading its own cellular phone services during 1995.

Mr Caio refuses to specify how much will be spent on marketing the new service, but he says Omnitel's shareholders – including the US telecoms companies AirTouch (formerly part of Pacific Telesis), Cellular Communications and Bell Atlantic – will be drawing on their experience launching mobile phone services elsewhere in the world, to put together the most competitive offer. "There's plenty of knowledge on the technical side, but the challenge is the marketing," he points out.

The group expects to break even after four years, by which time it should employ more than 2,000 people. For the moment, Mr Caio says the group's shareholders are united by this clear strategic objective, but inevitably there is already speculation that some of the financial partners, including a number of small Italian investors, might sell off their stakes, perhaps via a stock market flotation in the UK or US.

Such talk will be encouraged if Telecom Italia's parent company, Stet, demerges its mobile communication business this year, as planned.

For the time being, Mr Caio refers the question to the shareholders themselves. But it is probably fair to say that for a company which so far has no sales and no customers, such speculation is a little premature.



Founding family owns almost 7% of Siemens

By Andrew Fisher in Frankfurt

The Siemens family owns almost 7 per cent of the German electrical and electronics group which bears its name, although its voting power is theoretically double this, the company said yesterday.

Munich-based Siemens said the family investment company managing the stake had made known the size of the shareholding – it was known that the family owned less than 10 per cent – under the disclosure requirements of the new capital markets law.

The exact holding is 6.94 per cent, worth DM2.65bn ($1.75bn) at yesterday's share price of DM683. This consists of 5.29 per cent of voting shares and a further 1.65 per cent of voting rights through preference stock.

About 180 members of the Siemens family, which helped found the company in 1874, own shares; these are held for them by six family members.

The company, in which the rest of the shares are widely held, said the preference stock (held only by family members) had sixfold voting rights on some issues, such as capital increases or supervisory board appointments. Use of these multiplied voting rights would bring the family's voting strength up to 14.03 per cent.

BTA share conflict intensifies

By Peter Wise in Lisbon

Portugal's Securities and Exchange Commission (CMVM) is under increasing pressure to give way to the government in a tense legal conflict that will determine the future of the country's third largest bank.

The government has issued an eight-day deadline, which expires tomorrow, for the commission to decide whether 50 per cent of Banco Totta e Açores may be sold without the purchaser having to make an offer for 100 per cent.

The dispute has sparked a national debate that revolves around BTA returning from Spanish to Portuguese control, the independence of the stock exchange authority and the protection of small shareholders.

Mr António Champalimaud, a 76-year-old Portuguese industrialist, agreed in December to purchase 50 per cent of BTA from Banco Español de Crédito (Banesto), the Spanish bank, for Es153bn ($971m) on condition he be exempted from making a bid for 100 per cent.

The accord was rapidly approved by the Lisbon government, which had been trying unsuccessfully to return the bank to Portuguese control for three years. Banesto had embarrassed Portugal by acquiring control of 50 per cent of BTA despite legislation limiting foreign ownership to 25 per cent.

But Mr Fernando Costa Lima, CMVM president, stated unequivocally in a newspaper interview in January that Mr Champalimaud could not legally be exempt from making a global offer to all BTA's shareholders.

He said such a dispensation would seriously affect the credibility of Portugal's stock market and privatisation programme.

The issue has since become enmeshed in a mounting controversy that balances the virtues of Portuguese control and what the government says would be more stable ownership of BTA, against upholding market rules and defending the rights of the bank's 34,000 small shareholders.

Nordic consortium in telecoms cable link

By Hilary Barnes in Copenhagen

A consortium of six Nordic telecommunications companies is planning a DKr120m ($20m) investment in fibre-optic cables to improve links between Poland and Denmark and Sweden.

The submarine cables will link on the Danish Baltic island of Bornholm and will be able to carry 30,000 telephone calls simultaneously.

The cable system, code-named Baltica, will be able to transmit all forms of telecommunications, including data and video, and will be in operation by the end of 1996.

It will add considerably to capacity and to communications security, said the companies.

The consortium includes Teledanmark, the Danish government telephone company; Telia of Sweden; Telenor of Norway; Telecom Finland; Telekomunikacja Polska; and GN Great Northern, a private Danish telecommunications and electrical equipment company

Other international telecoms companies will be invited to participate in the project, said Teledanmark.

This will be the second fibre-optic cable link between Denmark and Poland.

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Corporate Mexico grapples with lower peso

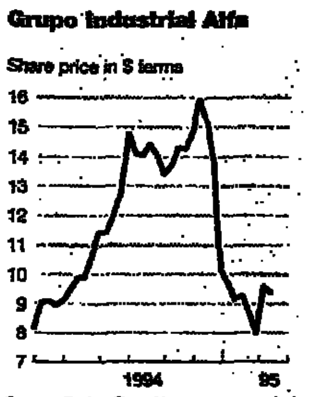
Leslie Crawford reports on mixed reactions to life after the December devaluation

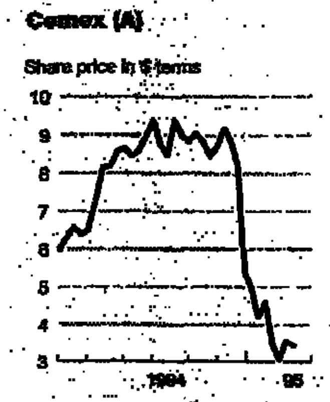
Sometime before Christmas, when Mr Hector Medina, president of Cemex-Mexico, was planning the year ahead, he looked forward to opening a $310m state-of-the-art cement plant and supplying a construction industry which was forecast to grow by 10 per cent in 1995.

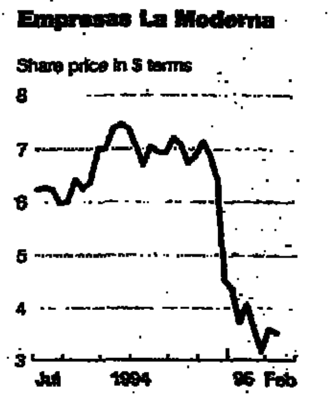
Then came the devaluation of December 20, which wiped out 40 per cent of the value of the peso and much of Mexico's foreign currency reserves. With the economy under the International Monetary Fund's stern tutelage, Mr Medina believes the demand for cement in Mexico is likely to contract by 10 per cent this year, as public investment is slashed and the government's austerity programme bites. He faces higher financing costs for his working capital and the probability that many of his clients will be driven out of business.

Yet Mr Medina insists the recent financial upheavals in Mexico are a mere "glitch in the graph" for Cemex, the biggest cement company in the western hemisphere and the fourth-largest in the world. A series of acquisitions abroad, and a 40 per cent increase in labour productivity in Mexico over the past three years, will allow Cemex to weather the crisis, he says. When the Tepeaca plant in the state of Puebla comes on stream in March, some of the older, less efficient kilns will be closed.

In 1995-96, he expects a 10 per cent downturn in domestic demand – but for that to be compensated by a 140 per cent







Source: Baring Securities

increase (from a low base) in exports, as the devaluation has allowed Cemex to become as competitive as Japanese cement producers in Asia.

Like most big Mexican companies, Cemex has large dollar debts, but it says it is in a strong position to meet its obligations because half of its revenues are generated by foreign affiliates, and most of its $3.2bn debt is long term.

Not all Mexican companies are facing life after the devaluation with such equanimity. Grupo Alfa, the steel, petrochemicals and food conglomerate, was caught by the devaluation with $883m in short-term obligations, about half its total dollar debt. Refinancing some $120m of commercial paper in January proved a costly exercise, according to Mr Peter Hutchison, Alfa's financial director. Before the devaluation, Alfa could access international credit at 200 basis points above Libor; now its cost has risen to 600-800 basis points above Libor, he says.

Groups such as Alfa feel aggrieved that the loss of investor confidence in Mexico has hit their companies so hard. Although foreign exchange losses led the group to post a net loss of 1.1bn pesos ($196m) in 1994, Mr Hutchison says this was a book-keeping exercise that did not affect Grupo Alfa's balance sheet, as the value of its dollar assets more than compensated for dollar debts.

He believes the cheaper peso will strengthen Grupo Alfa's businesses this year. Exports are expected to rise by 30 per cent to $900m, while Hylsamex, the group's steel producer, hopes to claw back a lot of the domestic market share it had lost to foreign competitors as a result of dumping practices and an overvalued peso.

Mr Hutchison admits it is proving more difficult to raise the necessary capital to fund a $1bn joint-venture with AT&T of the US, hatched last year after the government announced it would end Telmex's monopoly of long-distance telecommunications by 1997. "It is going to be a challenge, but I believe we can still do it," he says.

December's troubles caught Empresas La Moderna, a Mexican cigarette manufacturer, with a $325m bridge loan contracted with Mexican and US banks to acquire a seed producing company in the US. Refinancing the $180m Mexican part has been a headache, according to the company.

"The banks are giving us hell; they are demanding impossible interest rates to roll over our short-term debt," says Mr Enrique Osorio, La Moderna's financial director. But he does not blame the banks. They too have been affected by Mexico's liquidity crisis. Some US and other foreign banks have refused to renew dollar credit lines to some of their weaker Mexican counterparts, while the trebling of interest rates on peso treasury bills has raised the costs of intermediation to a level that threatens loan defaults. Many Mexican banks are making large provisions in anticipation of a greater number of bankruptcies this year.

Mr Osorio says La Moderna will probably raise a new foreign loan to pay off its Mexican creditors, but such a luxury is the prerogative of only a few large Mexican corporations.

Most Mexican companies are small to medium-sized, with no access to dollar loans because they supply a domestic market which does not generate dollar earnings. With peso interbank interest rates at about 46 per cent, working capital for most of corporate Mexico is not affordable. Mexican banks are as nervous as their clients about the consequences of a prolonged period of punitive interest rates.

The prospect worries large corporations such as Cemex and Grupo Alfa, which depend to a large extent on the continued health of their Mexican corporate customers. Grupo Alfa says it plans to help its clients find export markets, while Cemex has begun to extend credit to some construction companies.

There will be little respite until real interest rates begin to fall. That depends on a government which is caught between its need to meet IMF targets, foremost of which are controls on the expansion of credit, and the threat of widespread corporate bankruptcies.

Gencor dismisses general manager

By Kenneth Gooding, Mining Correspondent

Gencor said yesterday it had dismissed Mr Trevor Rees, general manager of new business, after he attempted to secure R2m ($563,000) from the South African mining group in return for his agreement not to disclose confidential and potentially damaging information.

Gencor said Mr Rees had alleged the group, or its directors, had committed tax fraud. This allegation had been reported to the Commissioner of Inland Revenue, Gencor said, and the group had instructed its joint auditors to investigate.

Gencor said Mr Rees pleaded guilty at an internal hearing last week to a disciplinary complaint charging him with "a gross and material breach of trust".

It alleged that in January he attempted to secure the R2m payment in addition to his contractual entitlement at the time of his proposed early retirement.

"The company has accepted the hearing's recommendation that Mr Rees' employment be summarily terminated and has acted accordingly, subject of course to any appeal which Mr Rees might make," it said.

Confidential company documents had been recovered from Mr Rees' home by Gencor lawyers on Friday, Gencor added.

Singer (Thailand) ahead

Singer (Thailand), a distributor of consumer appliances, yesterday reported consolidated net profit of Bt261.1m ($10m) in the second quarter of the current financial year, to December 31, a 14 per cent increase on the corresponding period last year, AP-DJ reports from Bangkok.

Earnings per share were 14 per cent higher at Bt9.67 against Bt8.49 a year earlier. No other financial details were released.

Softbank buys Comdex trade show operator

By Louise Kehoe in San Francisco

The Interface Group, which stages Comdex, the world's largest computer industry trade show, is to be acquired by Softbank, a Japanese group, for $800m.

The price reflects the central role that Comdex plays in the personal computer industry. It is a premier event used by leading computer manufacturers, software developers and chip makers to unveil their latest products. Last year, the Las Vegas event attracted over 200,000 visitors.

The Interface Group runs 16 smaller computer-related trade shows including other Comdex events in Asia and South America as well as the Windows World events.

Softbank is Japan's largest distributor of software and computer peripherals and the country's leading publisher of computer magazines and books. It said the trade shows would operate under current management and it expected no significant changes.

Cadillac Fairview outlines restructuring

Cadillac Fairview, the Canadian property developer operating under bankruptcy court protection, has disclosed details of its proposed restructuring, AP-DJ reports from Toronto.

A court hearing was scheduled for this morning to consider the plan, filed on a confidential basis with an Ontario court last week.

Cadillac plans for C$1bn (US$714m) of new capital to be invested in a new company. The funds will come from four sources:

- C$312m from a limited partnership of investors managed by Blackstone Group, a New York investment banking concern, and from the Ontario Teachers' Pension Plan Board;
- C$200m from a rights offering;
- C$188m from the sale of 75 per cent of Cadillac's holdings in the Toronto-Dominion Centre, a Toronto office tower complex, and the Pacific Centre, a mixed-use facility in Vancouver, which would be bought by Teachers;
- C$300m provided through a new secured credit facility.

Cadillac said it expected to retain management of the Toronto-Dominion Centre and the Pacific Centre. Cadillac's residual interest in these properties would be 12.5 per cent and 8.3 per cent respectively.

Cadillac said the new capital would be used to repay about C$200m of maturing property debt. About C$50m would cover restructuring. The rest would be used to repay creditors, with the majority going to syndicated debt holders.

Under the plan, Cadillac said Blackstone and Teachers would own 31.1 per cent of the company, subscribers to the rights issue would own 19.9 per cent, holders of syndicated debt who convert to equity would own 32.5 per cent and subordinated debenture holders would hold 16.5 per cent.

Cadillac said during January two other bids were submitted to the company, but the board believed the Blackstone-Teachers plan had the greatest value.

Cadillac said its plan envisages the company becoming a public concern in about a year.

Strong final term lifts Dana 78% for year

By Tony Jackson in New York

Dana, the US maker of car and truck components, finished the year strongly with net income in the fourth quarter up 69 per cent at $60m. Mr Southwood Morcott, chairman, said he expected further growth in sales and earnings in 1995.

For the full year, earnings were up 78 per cent at $228m on sales up 21 per cent at $6.6bn. Dana, which makes components such as axles, clutches and universal joints, said growth had been driven by the popularity of pick-up trucks and sports utility vehicles, and by the strength of the heavy truck market, where production was at its highest for 15 years.

International sales were up 24 per cent for the year, compared with a rise of 20 per cent in the US. Mr Morcott said the company aimed to have half its sales overseas by the year 2000. The present figure is about 25 per cent.

In the course of last year, the company made four overseas acquisitions; opened or started new plants in India, Thailand, Uruguay and Brazil; and set up joint ventures in Brazil and China.

Mr Morcott said: "We are very optimistic about 1995 and beyond. We recognise that certain elements could affect our markets, such as government policy, monetary policy and consumer confidence levels. But Dana is a stronger, more resilient company today than we were even 12 months ago." Productivity had continued to improve, he added.

NEWS DIGEST

NME may sell 52.6% stake in Australian arm

Australian Medical Enterprise, the listed Australian company which operates a number of private hospitals in New South Wales and Western Australia, said yesterday that it had been advised that its US parent, National Medical Enterprises, was considering selling its 52.6 per cent stake in the company, writes Nikki Tait in Sydney.

NME is one of the largest hospital operators in the US and recently announced plans for a near-US$2bn merger with American General.

In a formal statement to the stock exchange, Perth-based AME said that the parent company had indicated that it was exploring the sale of some or all of its shares but had not identified a purchaser. "Many options as to the manner of the sale may be considered," it said, adding that it had formed its own sub-committee of independent directors to evaluate any disposal scheme. AME shares closed unchanged at 70 cents, valuing the NME stake at around A$70m (US$52.2bn).

Viceroy Resources pulls out of $43m deal

Viceroy Resources of Vancouver has pulled out of a US$43m deal to buy a 46 per cent stake in MK Gold, a mid-sized US gold producer, from Morrison Knudsen, the US engineering and construction group, writes Bernard Simon in Toronto.

Morrison Knudsen said Viceroy was unable to obtain financing for the purchase. The uncertain outlook for metals markets has scuppered several mining companies' efforts to raise money in recent months.

However, one analyst also linked the collapse of the MK Gold deal to last week's ousting of Mr William Agee as Morrison Knudsen's chief executive. Mr Agee was closely involved in negotiating the deal with Viceroy.

Viceroy's main asset is a 75 per cent stake in the low-cost Castle Mountain gold mine in California. The deal would have boosted its share of gold production from 125,000 ounces this year to 180,000 ounces in 1998.

Morrison Knudsen said it was "continuing to evaluate alternatives" on the future of its stake in MK Gold.

Randgold to end management contracts

Randgold & Exploration, the South African mining group where a group of international investors led by S. G. Warburg, the UK merchant bank, recently gained effective management control, is cancelling management contracts with its subsidiary gold mines worth a total of R94.6m ($26.6m), writes Kenneth Gooding, Mining Correspondent.

It is taking shares in compensation.

Randgold said ending the contracts would ease the financial burden on the mines and increase their operational independence.

The value of the contracts was calculated to be R14.7m for Durban Roodepoort Deep; R21.2m for East Rand Proprietary Mines; and R58.7m for Harmony. Randgold's shareholding in Durban Deep would increase from 12.99 per cent to 24.93 per cent; in ERPM from 29.5 per cent to 31.45 per cent and in Harmony from 13 per cent to 17.86 per cent.

A similar arrangement was being negotiated with Blyvooruitzicht, another listed mine, Randgold said.

Cancellations were requested by the mines, it added. Some head office services would continue to the 1996-97 financial years and the reduced fee levels had been negotiated on that basis.

Iscor ahead strongly in first half at R434m

Iscor, South Africa's iron, steel and coal producer, yesterday reported a strong first half in the six months to December 31, with earnings per share leaping to 15.3 cents from 8.2 cents, writes Our Financial Staff.

Pre-tax profits advanced to R434m (US$122m) from R224m a year ago, and at the after-tax level rose to R293m from R158m on turnover of R5.35bn against R4.89bn.

The company said earnings for the current half-year, to end-June, were expected to show a "significant" increase on the corresponding period last year. "The outlook for the international steel market remains positive," it added.

An increase of 9.9 per cent in the international price for lumpy iron ore had been concluded from April 1 1995, it added.

Noranda to spend C$84m on Quebec mine

Noranda, the Canadian resources group, is spending C$84m (US$59.9m) to bring the Bell-Hallard Zinc-copper property in north-western Quebec into production by 1998, with annual capacity of about 90,000 tonnes of zinc in concentrate form, writes Robert Gibbens in Montreal. The concentrates, including small amounts of copper as well as zinc, will be shipped to Noranda's refinery near Montreal. Production from two older mines will be phased out. Their reserves by 1998 will no longer be economic.

Smorgon Consolidate appoints adviser

Smorgon Consolidated Industries, a privately-owned family company but one of the largest unlisted groups in Australia, said yesterday that it had appointed Macquarie Bank, the Sydney-based investment bank, to advice on "divestment" options, writes Nikki Tait in Sydney.

The group takes in interests ranging from steel and building materials to forests and meat processing. Annual sales are put at over A$1bn (US$745m), and the group employs around 4,000 people.

Coloplast pays $78m for US lotion maker

Coloplast, the Danish medical product company, is to buy Sween Corporation, of Minnesota, for $78.5m. Sween, with a turnover last year of about $22.4m, produces creams and lotions for skin and scar treatment, writes Hilary Barnes in Copenhagen.

It sells to the same customer group as Coloplast, which is a specialist producer of colostomy bags, incontinence products and similar equipment.

The Danish company is listed on the Copenhagen stock exchange. It made a net profit of DKr130m ($21.66m) last year on sales of DKr1.44bn.

Coloplast plans to finance the acquisition of Sween by an issue of 10m B shares, the company said yesterday.

Boral takes Malaysian plasterboard stake

Boral, the Australian building products company is acquiring a 55 per cent interest in Wembly Gypsum Products, the sole plasterboard manufacturer in Malaysia, from Innovest for M$18.1m (US$392m), writes Nikki Tait.

The investment will be held through Boral Parcon (Malaysia), in which Boral holds a controlling interest.

The Australian company has already started to build up plasterboard operations in south-east Asia, with an operation near Surabaya, in Indonesia.

CarnaudMetalbox buys Swiss packaging group

CarnaudMetalbox, the Franco-British packaging group, has announced the acquisition of BMW Vogel, one of Switzerland's leading speciality metal packaging companies, Extel reports.

BMW Vogel is a leading supplier of speciality metal, plastic pails and drums to many of the Swiss blue-chip companies in the chemical, paints and food sectors. It has a turnover of FFr85m ($15.81m).

The activities will be integrated into CarnaudMetalbox's speciality packaging operation, which generates a turnover of about FFr2.5bn across Europe.

CGI applies for London listing

Canadian General Investments, one of Canada's largest closed-end investment companies, has applied for a listing on the London Stock Exchange, writes Our Financial Staff.

The company, which is listed on the Toronto stock exchange, has assets of C$188m (US$134m) and invests primarily in Canadian quoted companies. It is 59 per cent controlled by Ms E. Louise Morgan, CGI chairman.

ABN Amro moves German headquarters

ABN Amro, the Dutch bank, is moving its German headquarters and setting up a new trading floor in Frankfurt to centralise its German dealing operations, Reuter reports from Cologne.

The new trading floor is due to open June 6 and will combine the bank's German trading operations in foreign exchange, debt, equity and money market trading.

Teco Electric ahead

Teco Electric & Machinery, Taiwan's largest maker of electric motors and air conditioners, yesterday reported preliminary figures showing a pre-tax profit of T$2.4bn (US$91m) for 1994, a 26 per cent improvement on the previous year's T$1.91bn, AP-DJ reports from Taipei.

Revenues of T$17.06bn were 20 per cent higher than 1994's T$14.24bn.

Dutch buy for Unisys

Unisys, the US computer manufacturer, acquired TopSystems International for a guaranteed payment of between $10m and $20m, with further payment based on sales of TopSystems products over five years, AP-DJ reports.

Unisys said TopSystems, of Naarden, the Netherlands, makes object-oriented and repository-based open application development tools for distributed computing.

INTERNATIONAL COMPANIES AND FINANCE

HK exchange drops self-regulation plans

By Louise Lucas in Hong Kong

The Hong Kong stock exchange has abandoned plans, first raised last March, for greater self-regulation among market practitioners.

Market participants who responded to the proposals said that Hong Kong was not ready to embrace US-style self-regulation.

Mr Paul Chow, chief executive of the exchange, said: "Submissions received said Hong Kong is not ready, and that the stock exchange still has a duty to regulate the market, especially when – unlike the US – so many investors are retail investors."

However, the exchange aims to address the main issues which led to the initial proposal – in particular, the time taken to list a company, given the lengthy vetting procedures – by streamlining the listing rules.

It also plans to encourage the development of professional standards among the practitioner groups.

The modifications are detailed in the exchange's strategic plan, unveiled yesterday, for the next three years up to and beyond the colony's 1997 handover to China.

The plan lists three goals: to internationalise standards; to expand the role of China's capital market; and to improve the exchange's efficiency.

The exchange – which now ranks as the eighth biggest in the world with a market capitalisation of HK1,180bn (US$153bn) – aims to identify and, where suitable, adopt global standards in terms of corporate governance, as well as dissemination of information, delivery of products, electronic trading and linkage with clearing systems.

In terms of new products, the focus will be on derivatives. The exchange plans to bring its long-promised stock options to market later this year (trailing the Futures Exchange) and will follow these with further derivative products, such as options on baskets of securities.

In order to facilitate market access, the exchange plans to introduce a second trading terminal in members' offices to allow off-floor trading. These second terminals, to be introduced in the third quarter, will expand market capacity and shorten communication time.

The exchange is also considering a technical interface between member in-house systems and the exchange trading system.

By the end of last year, HK$17.9bn of new capital had been raised by the 15 China state-owned enterprises listed in Hong Kong, and the exchange will continue to promote the colony's role for China through a joint Hong Kong-China company fair and investor forum to be held later this year.

To improve its own efficiency, the exchange has called in consultants and is negotiating with the government to end the need for annual budget approvals in order to facilitate longer term financial planning.

Other issues proposed last March are again on the agenda for review.

These include the possible creation of a second board; a trading facility for certain regional stocks; and the introduction of marketmakers to appropriate segments of the market as a means of improving liquidity, especially in second-line stocks.

No decision yet on UK subsidiary Courage

By Roderick Oram, Consumer Industries Editor

No decision has been made about the future of Courage, the UK brewing arm of Foster's, its Australian parent said yesterday.

"We continue to address the strategic issues facing our business in the UK. There are complexities which require very careful consideration and no decisions have yet been made," Mr Ted Kunkel, chief executive, said.

Speculation continues in the UK and Australia that Foster's wants to sell Courage. But any decision has been deferred, analysts believe, by the UK Office of Fair Trading's enquiry into beer pricing, announced last week. The OFT expects its enquiry will last three months.

Foster's said the investigation was unlikely to have a serious impact on the timing of any decision about Courage. At the last annual general meeting, the chairman suggested Foster's had 12 months to resolve Courage's problems.

Analysts said they were pleasantly surprised by the interim results Courage reported yesterday. They largely credited cost-cutting for the 17 per cent rise in pre-interest profits to A$118m. Its beer volume rose 2.4 per cent and market share edged up from just over 19 per cent to 19.3 per cent, while sales slipped to A$1.16bn from A$1.22bn.

Courage said it had also benefitted from a better mix of higher value beers in its sales.

Inntrepreneur Estates, the pub owner held jointly by Foster's and Grand Metropolitan, reported a profit of £10m (US$15.6m) for its year ended September against a loss of £19m a year earlier.

Initiatives on Foster's lager and John Smith's bitter improved their market positions. Foster's took 15.6 per cent of the pub market for standard lager, the highest share in its history. John Smith's increased its share of the pub market for standard bitter to 8.1 per cent.

Strong Australian brewing side lifts profits at Foster's

By Nikki Tait in Sydney

Melbourne-based Foster's Brewing Group yesterday reported a 26.1 per cent increase in profits before tax and abnormals to A$225.1m ($168m) for the half year to end-December. It was helped by a strong performance from its Australian brewing operations and lower interest charges.

However, after-tax profits fell to A$203.5m from A$210.6m, as abnormals contributed a A$2m surplus, compared with A$49.1m a year earlier, and tax rose to A$24.3m from A$16m.

As expected, there was no word from Foster's on the fate of the company's UK subsidiary Courage, which has been the subject of persistent sale rumours.

Courage saw pre-interest profits rise by 17 per cent to A$118m, in spite of the stronger Australian dollar. In sterling terms, the rise would have been 24 per cent.

Foster's first-half profits were struck on total brewing group revenues of A$2.23bn, compared with A$2.25bn, while total operating revenues fell to A$2.4bn from A$2.63bn.

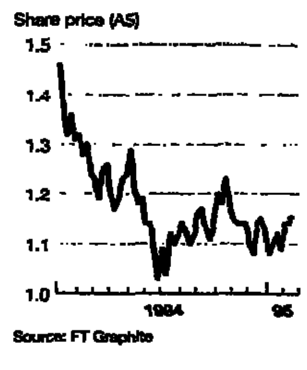
At the pre-interest level, the strongest performance came from the Carlton and United Breweries operations in Australia, where profits were up to A$152.5m from A$129m on sales of A$783.3m, compared with A$738.4m.

Market share for the period was about 53 per cent, and volumes increased by about 2.6 per cent, in line with the industry average.

Elsewhere, the news was less encouraging. The contribution from Canada's Molson Breweries, in which Foster's holds a 40 per cent interest, was A$41.6m, compared with A$50.1m a year ago. This was partly due to exchange rate fluctuations, which dented the result by about A$7m, and to the delayed start to the National Hockey League, which is estimated to have cost Foster's A$2m. The company also blamed fierce competition.

Market share was down to 46.9 per cent, compared with 48.5 per cent.

Foster's Brewing



Source: FT Graphite

Foster's new Asia division – which includes the three brewery operations in China – posted a A$6.5m loss, in line with group expectations. Sales were A$17.7m.

Foster's said its primary focus would remain on the Chinese market, but that discussion and initial development plans were also under way in India.

Interest charges fell to A$68.5m from A$85.6m as borrowings dropped by A$210m since the year end and asset sales proceeds came in.

At the end of the half-year, gearing stood at about 55 per cent. The A$95m profit on the Northwest Airlines stake sale, concluded in January, will be included in second-half results.

There is a interim dividend of 2.75 cents a share, unchanged from last time.

● Coca-Cola Amatil (CCA), the Australian-based soft drinks group in which Atlanta-based Coca-Cola holds a 51 per cent stake, reported after-tax profits of A$110.8m for the year to end-December. This compares with A$95.5m in 1993. There were no extraordinary items in 1994, after a A$242.2m surplus in 1993, taking bottom-line profits that year to A$329.9m.

CCA, which takes in soft drinks operations in Australasia and the Asia-Pacific region and has been actively acquiring businesses in eastern Europe, saw sales rise by 15 per cent overall to A$2.2bn.

Trading profits, before interest, were A$219.2m, compared with A$187.5m previously.

See Lex

South China Morning Post lifts earnings

By Louise Lucas

South China Morning Post Holdings, the publisher of Hong Kong's leading English language newspaper, has reported a 16.4 per cent rise in net profits to HK$300.6m (US$39m) for the six months to December 31 1994, from HK$258.3m a year earlier.

The results, covering the second year for the company under the helm of Mr Robert Kuok, the Malaysian hotel and sugar tycoon, show earnings per share rose in line with profits to 20.04 cents. The company is proposing a dividend of 6 cents, maintaining the level of the past two years.

Last month, Wah Kiu Yat Po, the Chinese language paper formerly owned by the group and in which it retained a 19.8 per cent interest, was closed. The paper continued to trade at a loss in spite of the new ownership and management that took over in January 1994. Unspecified provisions have been made in the half-year results.

Mr Kuok said the outlook would be affected by the expectation of rising interest rates in the first half and the slowdown in China's economy.

This should be partially offset by growth among Hong Kong's main trading partners and construction of the new airport, but "it is possible that an unfavourable economic climate is developing from which the company cannot be exempted," he noted.

Pearson wins foothold in Asian TV

The group has finally secured a stake in TVB, writes Simon Holberton

The decision by Pearson, the UK media and entertainment group, to take 10 per cent of Television Broadcasts (TVB), Hong Kong's leading terrestrial broadcaster, for HK$1.3bn ($168m) was yesterday described by media analysts in the colony as an astute move.

"It's not a fire-sale price, but TVB is not a fire-sale company," observed Ms Helena Coles, media analyst at Kleinwort Benson Securities Asia. She estimates that the HK$31 a share paid by the UK group equates to 16 times forecast 1995 earnings and 13 times forecast 1996 earnings.

TVB is one of Asia's most highly-rated media companies outside Japan and has been courted by some of the leading Anglo-Saxon media companies.

Mr Rupert Murdoch, chairman of News Corp, tried to buy 30 per cent of TVB, but opted for Star Television instead when faced with regulatory problems; Time Warner, the US media company, also considered an equity stake in the company.

Pearson has been in discussion with TVB's main shareholders since last summer. It came close to buying a 10 per cent interest from Mr Robert Kuok in July, but backed off when TVB's share price began to rise.

In September Mr Kuok sold a 7.5 per cent of TVB to investment institutions in a deal which raised HK$1bn.

The failure to acquire a stake last year did not prevent the two companies from business co-operation. Earlier this year Pearson, TVB and the Hindustan Times obtained Indian government approval to establish a television production company in India.

According to Lord Blakenham, chairman of Pearson, this joint venture "is a good example of how our new relationship will operate in the future".

The latest venture brought the parties together again. This time it was Sir Run Run Shaw, chairman of TVB and its sister-company Shaw Brothers, who was the seller. Sir Run Run, who is known as the "smiling crocodile", owned 34 per cent of TVB.

However, Pearson's stake is likely to be limited to 10 per cent for some time. The Chinese government is believed to have given tacit approval to yesterday's deal, but any move beyond the current level seems unlikely ahead of the colony's handover to China in 1997.

China represents the biggest risk in Pearson's move. Beijing could freeze the UK media company's ownership at 10 per cent, thereby limiting Pearson to its one seat on TVB board and assorted board committees, and the occasional joint venture in Asia.

The China risk aside, however, the deal was well received. TVB is seen as being in prime position to take advantage of the booming Asian television market; it scores high marks for its programme library, production capability and operating expertise. The company produces more than 5,000 hours a year of original Chinese-language programmes and has a library of 60,000 hours of television. This will be an important source of supply for television stations in Asia, the number of which is set to grow dramatically this year.

Kleinwort Benson estimates that in Thailand, Hong Kong, Singapore and Malaysia there will be 84 television stations at the end of this year compared with 47 at the beginning of the year. "This growth in channels creates an acute shortage of programming," says Ms Coles.

In Hong Kong, TVB has a 75 per cent share of television advertising revenues and a 70 per share of the television audience. Its signal is received by 15m people in southern China over the age of 15, making it a desirable vehicle for Hong Kong and mainland advertisers.

However, its ventures outside Hong Kong – especially in Indonesia and Taiwan – may prove the source of future expansion in addition to the China market.

In Indonesia, where foreign ownership of television is prohibited, TVB has joined with the Salim group to launch a new television station, Indosia. TVB provided sales, marketing and research skills to the Salim group and has a management contract to run the station.

In Taiwan it is competing with Mr Murdoch's Star TV and local terrestrial stations. More than a year ago TVB offered two satellite-based channels to cable-TV providers. The channels reach 95 per cent of Taiwan's 2.6m 'cable households'. Morgan Stanley estimates that last year TVB lost between HK$40m and HK$50m on its Taiwanese operations, but forecasts it will break even this year.

Since the early 1990s, when TVB began thinking about providing television in other parts of Asia, it decided that because the Asian market was not homogeneous, television would have to be made in local languages to suit local tastes. Furthermore, it did not believe that "free to air" satellite television would make money. Satellite broadcasting without the endorsement of local government would only have a limited reach, it concluded.

This view of television in Asia competed with another – a strategy of broadcasting in English and targeting only the top 5 per cent of Asian populations. Mr Murdoch, who inherited that strategy from Star TV's former owners ditched it last year – and that is a fair measure of TVB's standing in the market.

Television Broadcasts (HK$m)

	1988	1989	1990	1991	1992	1993	1994*	1995*	1996*	1997*
Turnover	1,036.4	1,348.4	1,505.0	1,552.6	1,824.8	2,071.1	2,681.3	3,038.1	3,493.5	4,031.4
Operating profit	384.2	414.4	375.4	296.0	439.2	577.7	758.5	912.9	1,122.6	1,330.7
Pre-tax profit	395.3	438.4	392.6	306.0	449.7	638.0	767.0	923.4	1,133.1	1,341.2
Attributable profit	325.6	357.0	327.3	249.7	365.5	519.6	638.4	752.8	920.1	1,089.1

*Estimate

Source: Company reports; Morgan Stanley

Kobe Steel says quake cost it Y74bn

By Michiyo Nakamoto in Tokyo

Kobe Steel, one of Japan's leading integrated steel-makers, yesterday said that initial estimates of damage it incurred as a result of January's earthquake came to about Y74bn ($748m), not including opportunity loss.

The steelmaker suffered substantial damage to equipment and facilities in the Kobe area where it has two steel works, its head office and a company hospital.

At the company's Kokogawa Works, one of the wharfs and three unloaders collapsed.

The facility, which is undergoing repair, is operating at between 60-70 per cent of the original production schedule.

Kobe Steel aims to restore production to original levels by the second quarter of fiscal 1995 beginning July.

Facilities at the Kobe works were badly damaged, Kobe Steel said.

Pre-quake production levels are expected to be resumed by the second quarter of fiscal 1995.

In the meantime, the company has asked other Japanese steelmakers for their co-operation in meeting customer orders.

Packer believed responsible for heavy buying in Fairfax shares

By Nikki Tait

Heavy turnover in shares of John Fairfax, the Australian newspaper publisher which has three media magnates on its share register, continued for the second consecutive trading day yesterday, amid speculation that interests related to Mr Kerry Packer, the Australian media entrepreneur, were behind the buying.

No formal notification of a change in share stakes had been given to the market by the close of business.

However, about 2m shares had been traded by noon, and about 2.5m by the close. This followed the trading of 12m shares on Friday, at A$2.70.

Volume over the two days suggests that about 2 per cent of the equity has changed hands.

Much of the buying appeared to have been conducted by E.L. &C. Baillieu, a local firm of stockbrokers.

Although the brokers are not traditionally associated with Mr Packer, he is thought to be the only likely buyer among the group's main shareholders.

Mr Conrad Black, the Canadian newspaper proprietor, has almost reached the 24.9 per cent limit of Australia's foreign ownership rules.

Mr Rupert Murdoch, who acquired a much smaller Fairfax stake last year, is understood not to have been involved in the latest activity.

Under Australia's media cross-ownership rules, Mr Packer is limited to 15 per cent of Fairfax.

His last notified stake was a 12.2 per cent holding in Fairfax through his publicly-quoted Publishing and Broadcasting group, as well as ownership of some non-voting convertible debentures, taking the total fully-diluted interest to 14.9 per cent. If the recent purchases do stem from Mr Packer, the 15 per cent limit would have been breached on a fully-diluted basis.

Various theories were circulating to support the theory that Mr Packer was the buyer.

One was that he would argue that only the direct shareholding, and not the fully-diluted interest, should be taken into account.

In normal takeover situations, Australian corporation law would work on voting interests – for example, when calculating whether a shareholder had breached the level at which a bid must be launched – but the control provisions in Australia's media laws are not clear-cut.

Another suggestion was that Mr Packer would try to argue that he should be able to own up to 24.9 per cent of Fairfax, even under the cross-ownership rules.

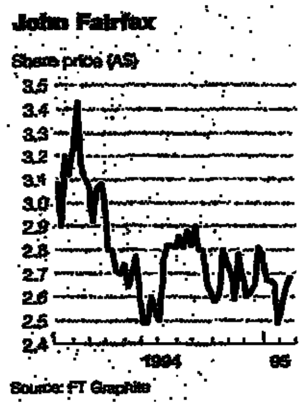
Yesterday, Mr Michael Lee, federal communications minister, said that the Australian Broadcasting Authority had the responsibility of enforcing media cross ownership rules, and that he expected it to inquire into the current Fairfax situation.

"If Mr Packer does have more than 15 per cent, he is deemed to be in control unless he can prove otherwise," Mr Lee said.

Fairfax shares – which have been waiting for many months to see the inherently unstable share - register situation resolved - closed 3 cents higher at A$2.68.

● Network problems delayed trading on the Australian Stock Exchange by 15 minutes yesterday morning, and further power problems halted trading in the final 45 minutes.

John Fairfax



Source: FT Graphite

Developer pays half $1.6bn bill for Manila site

By Edward Luce

The Metro Pacific consortium, which won last month's bid to develop the former Fort Bonifacio military site in central Manila, paid the first half of the $1.6bn bill yesterday, having last week asked the government for an extension.

Metro Pacific, which leads the 19-member consortium to turn the site into an "ultra-modern" business district, said it had secured a surety bond for the second half of the payment – due next February – from a Philippine insurance company, Pioneer Insurance and Surety Corp. This was in line with the government's original requirements.

Philippines lists banks to offer full services

By Edward Luce in Manila

The Central Bank of the Philippines yesterday named the 10 foreign banks which are to be allowed to set up full banking services in the country under a recent bank liberalisation law.

The 10 are: ING Bank, Deutsche Bank, ANZ, the Development Bank of Singapore, Chemical Banking, Bangkok Bank, Korea Exchange Bank, Fuji Bank, International Commercial Bank of China and the Bank of Tokyo. They join Citibank, Standard and Chartered, the Bank of America and the Hongkong and Shanghai Banking Corporation.

Under the new regulations, the banks can enter the Philippines market by acquiring 60 per cent of the voting stock of a domestic bank, investing up to 60 per cent of the voting stock in a new banking subsidiary or setting up local branches with full banking authority.

Among the banks denied permission to establish in the Philippines were Chase Manhattan, the Keppel Bank of Singapore and Bank International Indonesia. Mr Gabriel Singson, Central Bank governor, said the 10 banks were chosen on their potential to bring in foreign investment and on the volume of trade between their home countries and the Philippines.

Wesfarmers up

Wesfarmers, the Perth-based rural services, energy, and forest products group, yesterday announced sharply-increased profits after tax of A$65.9m (US$49.14m) for the six months to end-December, up from A$37.4m a year earlier, writes Nikki Tait. Sales rose to A$1.17bn from A$1.04bn.

Correction

Viag

In the Financial Times of February 10 it was stated that Viag's operating profits rose by 50 per cent in 1994.

In fact, they doubled to DM850m ($559m), as stated subsequently in the report.

Strike-free year lifts Hyundai Motors net

By John Burton in Seoul

Hyundai Motors, South Korea's largest carmaker, said its net profits more than doubled last year as it benefited from strike-free production. Earnings climbed 134 per cent to Won136bn ($171m), while sales climbed by 37 per cent to Won9,850bn.

Labour strife has plagued Hyundai Motors, part of the Hyundai Group, and other Korean carmakers since 1987.

The company continued to dominate car sales in Korea's highly-protected market, accounting for half of the 1.8m passenger cars sold last year. Three of the country's four best-selling cars were Hyundai models, led by the Sonata II semi-compact.

A high factory operating ratio of 95 per cent reduced fixed expenditures. Financing costs remained low as Hyundai used its strong cash flow to limit borrowings for its production expansion programme, which is nearing completion.

Hyundai plans to spend Won1,150bn on investment this year, including the construction of two plants that will raise production capacity to 1.3m vehicles by mid-1996.

An agreement among Korean carmakers to tighten financing terms for customers contributed to Hyundai's profit growth.

Hyundai also benefited from a rise in exports that reflected its recent diversification into new markets, including most of Europe.

Hyundai forecast that sales would increase to Won10,800bn for 1995, including foreign sales of 460,000 vehicles.

National Bank down at NZ$169m for year

By Terry Hall in Wellington

Lower earnings from its wholesale money market operations led to a 21 per cent fall in pre-tax profits to NZ$169m (US$107.19m) for National Bank of New Zealand in the year to December 31.

The lower profits at the Lloyds Bank subsidiary were boosted by a NZ$27m reversal of debt provisions from earlier years after allowing for current debt and investment provisions.

Before accounting for these provisions, National Bank had income of NZ$142m, a 36 per cent fall from the 1993 profit of NZ$222m.

Tax-paid profit was NZ$132m, compared with NZ$151m previously.

Directors said they were able to release to profit some of the provisions of previous years because of the growth in the economy and continued strong outlook.

Mr Malcolm McCaw, chairman, said that in spite of the poorer pre-tax performance, the bank had produced a strong performance consistent with longer term trends. Net interest income of NZ$358m, against NZ$364m last time was down only slightly in spite of the squeeze on lending margins in the second half of the financial year.

Other operating income fell from NZ$293m to NZ$183m. The bank paid NZ$37m, against NZ$64m, in tax. Operating costs were cut by NZ$36m to NZ$399m during the year. The result represented a 17.4 per cent return on shareholders' funds and a 0.9 per cent return on assets.

COMPANY NEWS: UK

SIB issues contracts warning

By David Wighton and Norma Cohen

The Securities and Investments Board yesterday warned that derivatives contracts of the kind struck by Swiss Bank Corporation ahead of Trafalgar House's £1.2bn ($1.9bn) bid for Northern Electric risked breaching its rules.

While not naming SBC, advice issued by the SIB described exactly the type of "contracts for differences" struck by Swiss Bank and Trafalgar.

The move by the SIB, the City's top watchdog, was seen an attempt to take the initiative over the controversial contracts following investigations by other regulators.

Both the Stock Exchange and the Takeover Panel have cleared SBC of breaking their rules although the Exchange has admitted that its regulations may need to be changed. The Securities and Futures Authority has also been making inquiries.

The government has received advice from a senior QC that SBC's share dealings may have breached insider dealing regulations.

Yesterday the SIB reminded authorised firms that, whatever the position under the criminal law, they must observe the SIB's principles, in particular those obliging firms to observe high standards of fair dealing and market conduct.

"Entering into transactions of the kind described above risks involving conduct which is in breach of these principles."

The contracts required SBC to pay Trafalgar, which it was advising on the Northern bid, a sum related to the rise in the share price of several electricity companies. The rise in the whole sector after the bid yielded Trafalgar a profit of £8m. After agreeing the contracts, SBC's marketmakers increased their stakes in Northern to more than 3 per cent and in Yorkshire Electric to 8 per cent.

SIB's warning concerned contracts for differences where "the firm has procedures which can reasonably be expected to result in it (or an associate in its group) dealing in securities affected by that information in order to hedge its exposure under the contract".

Costs put a premium on size

Paul Taylor on the changes taking place in the software industry

Misys' proposed acquisition of ACT highlights the competitive pressures which are reshaping the UK software and computer services sector, and the vulnerability of companies that stumble.

The high cost and risks involved in developing or adapting new software packages for the increasingly competitive global software market place is putting a premium on size and stability of earnings.

Mr Kevin Lomax, chairman of Misys said: "The high costs associated with R&D mean that only the biggest companies will be able to compete on the international stage"

At the same time, shares in the sector have been rocked by a steady stream of profit warnings and disappointing results from some of the sector participants, including most recently MDIS, Coda and ACT.

This has highlighted the fragility of an industry, which mostly comprises small companies selling high-margin software packages costing from £250,000 ($400,000), and where a slight delay or hiccup in shipments can have a marked short term effect on sales and profits.

Together these factors are driving a wave of consolidation throughout the industry and leading to the creation of a new group of multinational software companies capable of competing on a global basis.

The ripple effect of this industry shakeout is apparent in the figures on takeovers and mergers in the UK industry last year. For example, figures prepared by Regent Associates show that 1994 was a bumper year for acquisitions involving UK software and computer services companies, with a record 148 deals being announced worth £2.3bn.

Although no publicly quoted software and computer services businesses were acquired last year, quoted companies were responsible for 68 purchases as they scooped up companies which might otherwise have been floated had it not been for the unreceptive stock market.

Earlier this month, Computer Management Group, one of Europe's largest privately held computing services companies, said it was delaying plans to seek a listing because of poor market sentiment. Mr Douglas Gorman, CMG's chairman, said disappointing results from computing services companies in recent weeks had damaged market confidence in the sector.

In contrast, ACT is one of the longest quoted IT companies on the London market . The company was floated in March 1979 at 95p a share and was only the second IT float in the UK after ICL.

The company was founded 30 years ago by Mr Roger Foster, its chairman, first as a computer bureau and then as a PC hardware company – ACT eventually sold off its Apricot computer business to Mitsubishi in 1990 to concentrate on the financial software business.

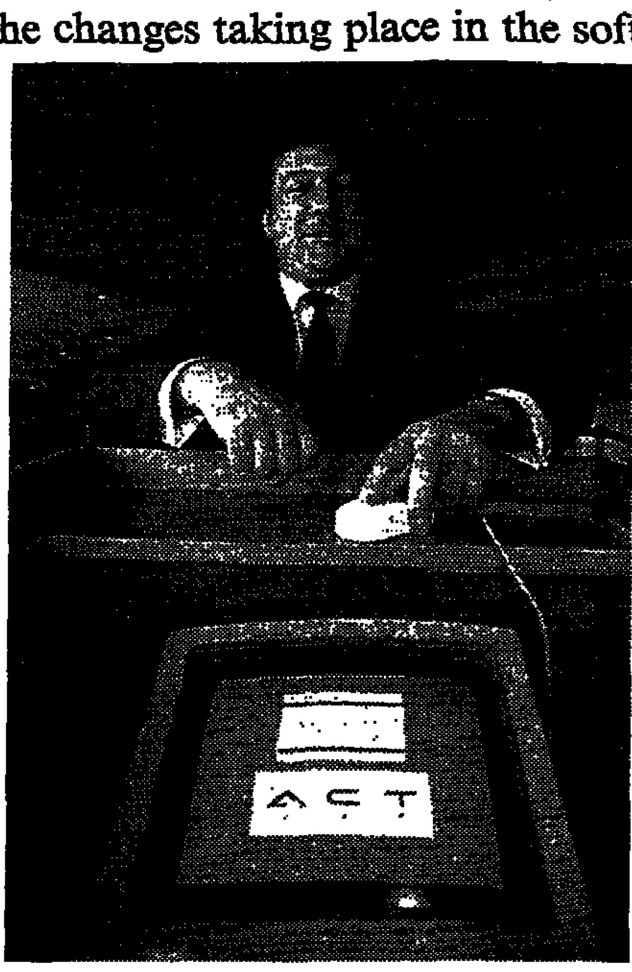
ACT has performed erratically over the years, although a generous dividend policy had, until recently, kept shareholders reasonably happy.

However, ACT's shares lost almost 20 per cent of their value at the end of January. This was after the company issued its second profit warning in seven months and revealed that its UK operating company would make a "small trading loss" for the year to March 31.

ACT also announced that Mr Mike Hart, group managing director, and Mr Paul Newton, managing director of ACT International, had had their contracts terminated and would be paid compensation.

In the wake of the latest profits warning the group, which held merger discussions a couple of years ago with Misys, re-entered negotiations.

The merger between the two companies will create one of the largest financial services software groups in the world, with annual banking software revenues of £140m, a £75m a-year financial services business and an industrial software group – also with revenues of about £75m.



Trevor Humphries
Kevin Lomax: only the biggest can compete internationally

LEX COMMENT

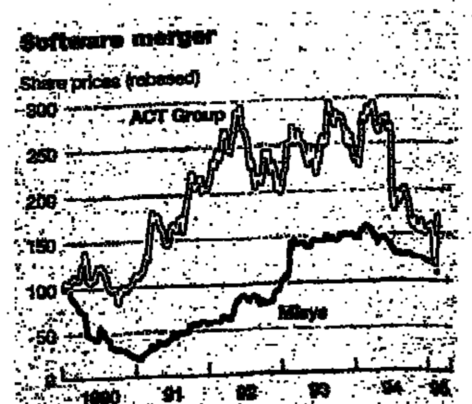
Misys bid for ACT

The agreed bid by Misys for ACT is a huge relief for the latter's battered shareholders. ACT's record for delivering on promises had proved abysmal. There had been two profits warnings in three months and dividend prospects were poor: last year's payment would have been maintained only thanks to disposal proceeds. The extent of shareholders' disillusionment was demonstrated by the shares' 60 per cent discount to the market on a price/earnings basis. They can accept the 42 per cent premium to Friday's close with gratitude.

Whether Misys's shareholders should be as grateful is less certain. The group's shares, following yesterday's 12 per cent drop, are likely to languish, at least in the short term. Until the combined group can report steady growth, fears will persist about further black holes in ACT's operations. Misys may have been eyeing ACT for some time, but the speed with which the deal was assembled casts doubt over the due diligence. Misys's complete switch in strategy – only two months after it unsuccessfully bid for Research Machines, a completely different sort of software company – is also a concern.

Nevertheless, the deal could eventually prove profitable. Misys should in time be able to sell its products to ACT's high quality customer base.

Better management of ACT should also help. However, for Misys to win a re-rating, the group must demonstrate it is not just acquisition driven but also capable of organic growth.



Govett to countersue fund's 'fantastic' claim for libel

By Nicholas Denton

The fund which last week sacked Govett & Co as fund manager and launched a suit against it intensified its legal offensive yesterday with a libel action. Govett American Endeavour Fund filed a suit in the High Court alleging that Govett's reaction to the initial charges was defamatory.

The dispute is set to deepen. Govett said yesterday that it would issue a detailed rebuttal of what it called American Endeavour's "fantastic" claims and had instructed its counsel to prepare to countersue.

Govett shares, which fell 38p to 311p last Thursday when the argument became public, lost another 22p yesterday to 286p.

Govett has been angered by charges of at least 10 offences including fraud, negligence and violations of the US Racketeer-Influenced and Corrupt Organisations Act.

The last charge brackets Govett with the Mafia and Wall Street financiers such as Mr Michael Milken, against whom Rico has more commonly been targeted. The $20m damages American Endeavour has requested would automatically be tripled if Govett were found guilty of Rico offences.

Govett said that before it was dismissed it had told American Endeavour it was resigning because of "breaches of fiduciary duties" by the board of American Endeavour. Endeavour's board denied that version of events, said it was defamatory and issued the suit.

American Endeavour said it owed no fee for terminating the management agreement. Govett said it was entitled to three years' management fees, worth more than $1m.

Rescue refinancing talks denied at ASH

By Geoff Dyer

Lord Lane of Horsell, chairman of Automated Security (Holdings), the electronic security systems group, denied yesterday that the company was in emergency refinancing talks with its bankers.

Discussions were taking place regarding a £70m ($108.5m) multi-option facility which expires in May, but that had been disclosed as long ago as last year's annual report, he said.

The company enjoyed "good relations" with its bankers, he added, and the discussions were "well-advanced". There was no danger of breaking existing covenants.

Further information would be provided when the company announced its results for the year to November 30, although a date has yet to be set.

The shares fell 12p to 62p.

Anxiety about the balance sheet has been caused by gearing of about 300 per cent, if the £44.9m convertible capital bonds are counted as debt.

However, it is thought unlikely that a debt-for-equity swap would be considered.

HRP moves into UK care sector

By James Whittington

Health and Retirement Properties Trust, a New York-listed real estate investment trust specialising in long-term care facilities is buying 14 nursing homes in the UK for £29m ($45m). They will be leased back to Speciality Care, a privately owned operator, for an initial term of 13 years.

Kleinwort Benson, financial adviser to HRP, said it would be the first time a US REIT had invested in a UK-based nursing home operator.

HRP has investments totalling $1.2bn in 201 US properties. Mr John Murray, treasurer at HRP, said: "We've been looking to expand our portfolio outside the US for some time and the need for capital in the UK was particularly attractive."

Earlier this month, the UK's first nursing home REIT, Nursing Home Properties, was launched with a £15m institutional placing and £16.1m in financing deals with three nursing home operators.

GKN to abandon steelmaking

By Tim Burt and Andrew Baxter

GKN, the engineering group, is today expected to announce its withdrawal from steelmaking with the sale of its 39.1 per cent stake in UES Holdings, its jointly owned steels and forgings subsidiary, to British Steel.

Neither company would comment yesterday, but a deal would end months of speculation about the future of UES, Europe's largest producer of high-grade engineering steels and a big manufacturer of forgings for the motor industry.

It is understood that GKN is to sell the holding to British Steel, UES's other shareholder, as part of a drive to focus on its core motor components, industrial services and defence equipment activities. It may, however, take full control of UES' forgings interests.

Although GKN is expected to sell at a large discount to its £149m ($231m) share of UES's net assets, analysts welcomed the likely move.

Problems to unsettle a white knight

Daniel Green and Jim Kelly on Wellcome's search for a Glaxo rival

Mr John Robb, chairman and chief executive of Wellcome, is scouring the world for a bidder for his pharmaceuticals company.

Anyone interested will not only be asking him intimate questions about corporate performance and new products. They are also likely to be quizzing their own tax and accounting experts on the obstacles to a non-UK bid to rival the £9.1bn ($14.1bn) offer on the table from Glaxo.

To win, a new bidder must persuade Wellcome's shareholders to reject Glaxo's offer in favour of its own. It is not a simple matter of offering more money. The act of making a counterbid starts an auction that delays the moment when Wellcome's shareholders receive cash or shares in exchange for their holdings.

The delay costs money in itself, and would probably translate into a higher risk if the bidder came from outside the UK.

The reason lies in any paper component of a new offer. Glaxo has offered Wellcome shareholders a mixture of cash and shares. It is easy to calculate the income stream from Glaxo shares – its dividend yield – and the interest on cash and compare it with their current investment.

But foreign shares are more complicated for UK-based shareholders. Foreign shareholdings have a currency risk. Dividends are subject to local witholding tax, which varies according to bilateral arrangements with the UK.

The Wellcome Trust, which owns 39.5 per cent of Wellcome, is committed to investing for income to support medical research. Therefore the income from what a new bidder offers is as much a factor as its capital value.

Mr John Whiting, a tax partner at accountants Price Waterhouse, says that the depressing of income by witholding taxes "has to be a factor" in any foreign bid involving paper.

One solution would be for the trust and other investors to sell the foreign shares. But if stock market traders in Zurich or New York believed that a large block of shares was about to be sold, they would mark down the price.

These extra risks mean that a foreign bidder might have to offer more to win over Wellcome shareholders.

The bidder could simply offer cash. But this is likely to throw the spotlight on another difference between UK and non-UK corporate predators: goodwill.

Goodwill – the difference between what is paid for a business and the value of its net assets – is one of the most contentious issues in accounting, and there are essentially two ways of dealing with it.

In the UK, traditionally, goodwill is set off against the reserves in the accounts of the successful bidder. The only big effect is to alter the gearing of the company – the ratio of lending to net assets.

In the US and Switzerland – where many of the drug companies big enough to bid for Wellcome are based – and under the code of the International Accounting Standards Committee, goodwill is seen as an asset.

In this case, it is placed on the balance sheet and amortised over time. The loss is passed through the profit and loss account, reducing the earnings of the company.

Here lies the problem. Would a bidder really want to bear the burden of the value of goodwill reducing profits?

In the 1980s, when UK companies were busy acquiring assets in the US, both sides said that the differing treatment of goodwill in the UK and US did make a difference.

US companies complained that they were at a disadvantage; UK companies admitted that the game was loaded in their favour.

Since then, goodwill tax breaks in the US may have narrowed the gap.

And in Switzerland, Roche, the drugs company which has been mentioned as a possible bidder for Wellcome, says goodwill accounting rules have not affected its acquisition strategy.

Indeed, some analysts would argue that differences in accounting for goodwill have no real effect on the future health of a company.

Many, particularly in the US, would add the goodwill loss back into the earnings calculation – giving a more intelligent view of the company's health rather than a crude "bottom line". These analysts say goodwill makes no difference to cash flow and therefore is irrelevant to the performance of the company.

The problem is that company executives are sensitive to simple measures of performance by profits for the very good reason that many shareholders view the company that way.

It may be that no one of these issues would deter a large drugs company from trying to buy Wellcome if it believed in the strategic wisdom of the move.

Together, however, they are likely to mean that a move would not be made in a hurry, and that the Wellcome Trust would only be tempted by an offer substantially above that on the table from Glaxo.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Armour Trust	6 mths to Oct 31	17.9	(13.3)	0.758	(0.916)	2.5	(2.2)	0.418†	May 12	0.38	-	1.8
High-Point	6 mths to Nov 30	21.6	(22.5)	0.22	(0.093)	3.2	(0.6)	0.5	Apr 19	nil	-	0.5
Regal Hotel §	Yr to Jan 1	7.73⁂	(2.66)	0.73	(0.57Φ)	0.06†	(0.18)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Mid Wynd Intl	6 mths to Dec 31	396.9	(410.6‡)	0.203	(0.152)	4.05	(3.02)	2.8	Apr 6	2.5	-	6.2
Olim Convertible	Yr to Dec 31	82.45	(106.14)	1.36	(1.15)	9.06	(7.68)	4.7	-	4.6	9	8.9
Schroder Split	-	-	(-)	-	(-)	-	(-)	-2.1♠	-	2.1375	7.5	7.2
Second Alliance	6 mths to Jan 31	£16.71	(£16.85)	4.43	(4.01)	23.09	(20.9)	14	Apr 3	13	-	42

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ⁂Including £4.97m from acquisitions. ΦAfter exceptional credit of £1.24m. ‡At June 30 1994. ♠Fourth quarterly.

مكان الاصل

COMMODITIES AND AGRICULTURE

Cash shortage threatens Russian nickel production

By Kenneth Gooding, Mining Correspondent

Fresh fears about production problems at Norilsk of Russia, the world's biggest nickel group, were raised yesterday when an official said the company was not able to pay miners' salaries for January, a total of Rbs150bn roubles (US$35.7m).

Mr Vladimir Mekhanik, Norilsk's director for economy, suggested that bureaucratic hold-ups were making it difficult for the group to pay and therefore "creating the threat of social conflicts".

Miners at Norilsk, which accounts for about 15 per cent of world nickel output, went on strike for two days last August because of the company's persistent non-payment of salaries.

Mr Mekhanik told the Interfax news agency yesterday that Norilsk owed Rbs500bn ($119m) to state and regional governments, which, with the salary arrears, was more than its monthly revenue.

During 1994, he pointed out, Norilsk had been permitted to use half its revenues for its current needs, including salary payments.

This privilege had been extended to the first three months of 1995 but the finance ministry and the tax authorities had been slow to inform their regional departments about the decision. In normal circumstances enterprises are permitted to use only 5 per cent of revenue for day-to-day expenditure.

Mr Mekhanik said that Norilsk planned expenditure of Rbs6,000bn ($1.43bn) this year and, if the privilege was prolonged for the whole of 1995, it would be able to use Rbs3,000bn ($714m) from its revenues.

Western observers believe that Norilsk is unlikely to be able to struggle on much longer without its output falling. Mr David Allen, vice-president for public and government affairs, at Inco of Canada, the Russian group's biggest rival, said recently that Norilsk was so short of money that, not only was it failing to pay its workforce for weeks on end, it was also cannibalising equipment to keep going. "You can't go on for long like that without costs increasing and output falling," he said.

Norilsk needed "a huge amount of capital and there is no sign that it is getting any", he added.

However, Macquarie Equities, part of the Australian banking group, estimates that in 1994 Norilsk produced 173,000 tonnes of refined nickel, 4.8 per cent more than in 1993. Mr Jim Lennon, a Macquarie analyst, says that, whatever problems batter Norilsk, Russia will still have more than 100,000 tonnes of nickel available for export in 1995 compared with the 150,000 tonnes (including nickel in scrap) exported last year.

UK growers 'must cut costs'

By Deborah Hargreaves

British cereals farmers are likely to see a price drop of £10 to £15 a tonne this year from current high levels and must reduce their production costs to remain competitive, according to Adas, the government's farm advisory service.

Speaking at a seminar last week, Mr Jim Orson, head of cereal development, said farmers should aim at growing feed quality grains at £80 a tonne or less to retain their profitability. That cost level would ensure that UK farmers could compete with US producers.

"British cereals are becoming increasingly competitive on the world scene with yields rising steadily," Mr Orson said. UK yields had been increasing at a rate of 1.5 per cent a year to a current level of seven tonnes a hectare for the most efficient producers.

The amount of British wheat available for export rose to 4.4m tonnes in 1993 – greater than total annual wheat output in the 1970s. Opportunities for UK farmers have increased as yield growth among important competitors such as the US and Australia has been limited by droughts in recent years.

But producers must not ignore quality, Mr Orson said. "Quality is the Achilles' heel of our crop: the rainfall that feeds our high yields can also cause quality problems."

The Uruguay Round agreement, which comes into force this July, will put pressure on cereals exports outside the European Union by the end of the decade.

The EU will be allowed to export 23.4m tonnes of subsidised grains by 2000, but if yields continue to grow at current rates, 35m tonnes will be available for export according to Adas. The need to ship some cereals at world prices will put even more emphasis on cost-cutting.

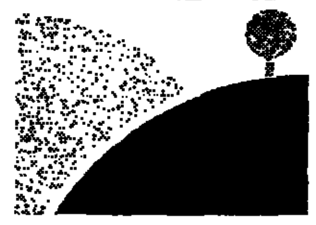
British arable farmers were at an advantage in the EU as they already ranked second after the Netherlands on one measure of competitiveness, Mr Chris Bourchier, head of agricultural development said. The average UK farmer achieved an output value – the value of production less cost of inputs – of Ecu50,000 (£39,000) compared with Ecu 65,000 in the Netherlands.

Mr Bourchier said the move to consolidate farm businesses would be important in increasing efficiency. Adas estimated that the UK's cereals crop could be produced by 10,000 farmers compared with today's 70,000.

Blowing Britain's animal welfare trumpet

High standards of care could be a valuable asset in an era of shrinking support

FARMER'S VIEWPOINT



By David Richardson

Any British farmer who is not confused at present must be very badly informed indeed.

Consider some of the apparent contradictions that have occurred over little more than a couple of years.

The 1992 reform of the European Union's common agricultural policy had as its main aim the reduction of guaranteed farm commodity prices by 30 per cent over three years. Farmers were to receive compensation in the form of area aid unrelated to production. The forecast was that net profits would fall. Moreover, these developments followed about five difficult years during which most farm incomes had already declined in real terms. Prospects seemed bleak.

But here we are in 1995 looking back on the two years following that reform, during which UK farm profits, have on average, increased by over 60 per cent to levels that are 15 per cent, in real terms, above those of the early 1980s.

Some of that extra income has been derived from better crops and more favourable weather. But the weather has not been universally helpful. Indeed the above average rainfall recorded in both 1993 and 1994 caused many practical problems.

A freak potato year in 1994 provided, and is still providing, windfall high prices and additional profits for the minority of increasingly specialist farmers who grow the crop. At the same time tightening world supplies of several mainstream commodities such as grains, oils, and sugar have raised market prices unexpectedly and added to farmers' disposable incomes.

But the main component in the extra income of most farms has come from the EU, for setting land aside and in compensation for lower guaranteed prices. Furthermore these payments were enhanced by about 20 per cent when Britain fell out of the Exchange Rate Mechanism in September 1992 and sterling was devalued.

EU payments are calculated in European currency units and the rules of the CAP state that farmers in each community country should receive essentially the same Ecu compensation for production penalties imposed. The accident of devaluation therefore did British farmers a good turn and is the basis for much of their good fortune over the past two years – good fortune, incidentally, that has not been shared in other community countries whose currencies remained stable.

But CAP reform is now in its third and final year. The EU says that set-aside and compensation payments will continue beyond the completion, albeit at reducing rates. The National Farmers' Union of England and Wales takes the view that pressures to cut farm spending will intensify and that rates will come down faster than implied by EU officials.

The NFU also parts company with the EU over predictions of the likely effects on European agriculture of the General Agreement on Tariffs and Trade settlement.

The EU has consistently said that cuts in both the volume of community exports and in so-called restitution payments, to bring commodity prices down to world levels, which were agreed in the Gatt round, could be accommodated within CAP reform measures already taken. The NFU has never believed this would turn out to be the case. It also thinks it will be necessary for Brussels to impose new cuts in production volumes and/or prices in order to comply.

In any event the potential effects of the Gatt settlement at farm level remains something of an unknown quantity and some commentators predict substantial cuts in UK farmers' incomes over the next five years.

In the midst of relative prosperity therefore, there are growing feelings of insecurity about the future; and recent activity by the animal welfare lobby has exacerbated these fears.

British farmers know very well that the standards of care for animals on most farms in this country are superior to those used almost anywhere else in the world. Yet they are subjected to usually false allegations and fear they may be in danger of attack by extremists.

All of this has led to a degree of despondency throughout the UK farming sector and to feelings that the industry is the victim of dominant forces outside its control. That in turn is causing many farmers to adopt a low profile in the hope of escaping the attentions of the critics.

This reaction, however, fails to recognise the probability that the sources of income mainly responsible for improving viability in recent years may disappear, or at least decline significantly. If and when that happens the cheques from Brussels will not be big enough to keep the industry afloat. Indeed, for the first time since guaranteed price farming began after the 1947 Agriculture Act, it will be necessary for many individual UK farmers to seek real, as opposed to supported, markets for what they produce.

It seems to me, therefore, that the UK farming industry should use a little of its new-found but possibly short-lived prosperity to secure some of those markets. It could start by promoting the facts, as distinct from the myths, about the standards of animal welfare practised in Britain. And it could follow by extolling to British and foreign consumers the very real virtues of safety, value and ethical production methods of a great deal of British farm produce as compared to that from some other countries.

What is needed is a culture change on the part of British farmers – from depending heavily on government support to greater self-reliance, together with the development of a confidence that adversity can be turned to advantage. Success in this would be good for farmers and good for Britain. It would improve the balance of payments and help reduce the food trade gap now running at some £6bn per year.

As the American rhyme goes:

He who whispers down
a well
When he has something
good to sell,
Will never make as many
dollars
As he who climbs a tree
and hollers.

Oil industry 'coping' with low prices

By Robert Corzine

The international petroleum industry is coping with oil prices at current levels and is unlikely to face a global capital shortage even if prices do not improve substantially, according to Mr Stephen Hodge, group treasurer of Shell International Petroleum Company.

In a speech to the Institute of Petroleum in London yesterday, Mr Hodge said that in spite of growing technical challenges and more demanding environmental rules, the industry "in aggregate is coping and will cope. . . we can live quite happily at about the current price level and we will in aggregate retain our financial health."

He said technology was exerting a downward influence on the price of oil, which he said must be considered the same as any other commodity. "Over the long haul technology makes commodities cheaper."

● Mocatta, a unit of Standard Chartered, has shut its floor operations on London's International Petroleum Exchange, Reuters reports. But it would retain its IPE seat and continue to offer its customers execution and clearance service from its general broking division, said Mr Nigel Dentoon, group chief executive of commodities.

MARKET REPORT

Cocoa futures end firmer

London Commodity Exchange COCOA futures were firmer yesterday, pulled higher by fears of insufficient beans being available to cover open positions in the prompt March contract. By the close the March price was at a £6-a-tonne premium over May.

COFFEE futures ended flat to slightly weaker after a range-bound session. "After its decent move back up from its lows last week the market is just treading water. Consolidation seems to be the word," said one trader.

At the London Metal Exchange BASE METAL prices were generally easier but some appeared to be trying to establish new trading ranges as they attempt to consolidate after recent sharp losses.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1893.5-4.5	1934-5
Previous	1909-11	1951-2
High/low	1886/1883	1950/1915
AM Official	1886-90	1926.5-7
Kerb close		1927-8
Open int.	235,693	
Total daily turnover	90,838	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1850-60	1895-6
Previous	1890-900	1930-40
High/low		1915/1880
AM Official	1845-50	1890-5
Kerb close		1880-90
Open int.	2,669	
Total daily turnover	1,264	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	555-6	574-5
Previous	574-5	593-4
High/low		591/575
AM Official	568-9	587-8
Kerb close		574-6
Open int.	38,962	
Total daily turnover	12,298	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8355-65	8505-10
Previous	8405-10	8551-5
High/low	8330/8320	8610/8450
AM Official	8330-5	8490-500
Kerb close		8500-10
Open int.	81,004	
Total daily turnover	24,498	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5480-90	5575-80
Previous	5485-95	5570-80
High/low		5595/5530
AM Official	5455-65	5555-60
Kerb close		5545-50
Open int.	22,026	
Total daily turnover	7,983	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1012-3	1037-8
Previous	1021.5-2.5	1046-6.5
High/low		1045/1027
AM Official	1007.5-8.5	1033-4
Kerb close		1026-8
Open int.	105,662	
Total daily turnover	76,792	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2904-5	2867-8
Previous	2884-5	2874-5
High/low	2910	2873/2850
AM Official	2912-3	2866-7
Kerb close		2862-3
Open int.	244,523	
Total daily turnover	101,316	

■ LME AM Official £/$ rate: 1.5638

LME Closing £/$ rate: 1.5632

Spot:1.5632 3 mths:1.5614 6 mths:1.5595 9 mths:1.5572

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	135.65	-1.75	137.30	135.50	1,622	280
Mar	132.75	-1.85	134.15	132.60	24,421	4,083
Apr	130.65	-1.25	131.90	131.25	1,039	78
May	128.85	-1.05	130.10	128.80	9,987	4,169
Jun	127.10	-1.00	128.00	128.00	638	138
Jul	125.45	-0.95	126.60	125.60	4,202	703
Total					51,083	10,041

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	374.40-374.80		
Opening	378.10-376.50		
Morning fix	375.60	240.031	481.258
Afternoon fix	374.50	239.496	480.334
Day's High	376.20-376.60		
Day's Low	374.00-374.40		
Previous close	376.40-376.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.83	6 months	5.52
2 months	4.93	12 months	5.99
3 months	5.07		

Silver Fix	p/troy oz.	US cts equiv.
Spot	302.65	473.85
3 months	307.30	480.10
6 months	312.80	487.95
1 year	326.10	505.60

Gold Coins	$ price	£ equiv.
Krugerrand	375-378	240-243
Maple Leaf	385.10-387.55	-
New Sovereign	87-90	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	375.9	-0.5	378.0	374.5	1,103	83
Mar	376.5	-0.5	-	-	2	-
Apr	377.9	-0.5	378.3	378.4	88,392	15,708
Jun	381.3	-0.5	381.7	379.5	28,142	348
Aug	385.2	-0.5	384.5	384.5	18,019	784
Oct	389.2	-0.5	-	-	4,802	4
Total					169,884	17,811

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	413.8	-1.4	414.0	412.0	16,325	1,175
Jul	417.1	-1.4	417.5	416.0	5,092	19
Oct	421.1	-1.4	-	-	1,180	-
Jan	424.8	-1.4	-	-	190	-
Total					22,767	1,194

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	158.75	-0.05	158.75	157.75	3,725	889
Jun	160.65	-0.10	160.50	159.50	3,585	852
Sep	161.80	-0.10	-	-	379	-
Dec	162.80	-0.10	-	-	53	-
Total					7,722	1,741

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	471.5	-3.1	-	-	127	129
Mar	472.5	-3.2	474.0	467.0	57,369	12,809
Apr	474.9	-3.2	-	-	-	-
May	477.8	-3.2	478.5	473.0	24,847	3,061
Jul	483.0	-3.2	485.0	478.5	11,439	950
Sep	488.6	-3.2	487.5	487.5	10,886	88
Total					149,533	17,299

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.19	-0.27	18.55	18.13	70,312	38,229
Apr	18.09	-0.21	18.37	18.00	89,616	25,251
May	17.95	-0.21	18.21	17.90	36,904	12,550
Jun	17.83	-0.18	18.05	17.84	35,508	4,230
Jul	17.78	-0.18	17.96	17.78	17,225	1,458
Aug	17.72	-0.18	17.90	17.72	12,449	417
Total					384,536	85,277

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	17.45	+0.12	17.57	17.39	33,059	32,773
Apr	16.85	-0.05	16.87	16.64	70,558	24,761
May	16.60	-0.12	16.67	16.48	16,733	4,200
Jun	16.43	-0.15	16.62	16.42	13,231	1,015
Jul	16.37	-0.11	16.55	16.38	8,843	1,024
Aug	16.38	-0.07	16.50	16.38	4,404	280
Total					164,949	65,683

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	47.15	-1.13	48.40	47.05	33,202	12,895
Apr	47.30	-0.93	48.15	47.30	21,752	3,742
May	47.40	-0.78	48.10	47.35	11,225	2,132
Jun	47.50	-0.63	47.95	47.50	9,764	625
Jul	47.75	-0.53	48.15	47.70	9,263	582
Aug	48.20	-0.53	48.55	48.20	4,143	55
Total					113,802	20,563

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	144.00	-1.75	146.50	144.00	44,818	4,852
Apr	145.25	-1.25	147.75	145.00	18,711	2,124
May	145.50	-1.25	147.75	145.50	7,144	499
Jun	145.75	-1.50	148.00	145.75	8,918	255
Jul	147.50	-1.00	149.25	147.25	2,783	45
Aug	149.00	-1.00	-	-	1,581	-
Total					83,747	7,886

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	1.410	-0.060	1.440	1.402	25,136	13,940
Apr	1.410	-0.065	1.440	1.405	17,573	5,813
May	1.460	-0.045	1.480	1.453	12,080	1,133
Jun	1.507	-0.036	1.520	1.505	11,373	825
Jul	1.550	-0.027	1.570	1.553	11,394	369
Aug	1.573	-0.026	1.580	1.560	10,035	509
Total					132,854	23,179

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	55.25	-0.39	56.25	55.10	18,667	11,297
Apr	57.30	-0.19	57.60	57.05	17,990	4,284
May	56.60	-0.22	57.00	56.50	14,246	2,191
Jun	56.10	-0.12	56.30	56.10	4,666	745
Jul	55.70	+0.16	55.70	55.60	2,594	38
Aug	55.75	-	-	-	880	26
Total					63,721	18,685

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	109.75	-0.35	109.00	108.85	1,120	95
May	109.90	-0.25	110.10	109.75	1,971	112
Jul	111.30	-0.70	-	-	376	-
Sep	98.65	-0.90	-	-	183	-
Nov	99.40	-0.90	100.00	99.25	1,696	56
Jan	101.25	-1.10	-	-	343	-
Total					6,015	263

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	371/6	-4/6	378/4	370/2	30,200	11,875
May	362/6	-4/2	368/4	362/0	15,879	4,005
Jul	338/2	-3/4	341/6	338/0	21,099	2,991
Sep	342/2	-3/2	346/0	342/2	1,543	197
Dec	352/2	-4/2	358/2	352/2	1,052	87
Mar	359/4	-1/0	360/4	359/4	18	-
Total					69,807	19,136

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	234/0	-0/4	234/4	233/4	83,554	14,345
May	241/6	-0/4	242/2	241/4	76,382	6,743
Jul	247/2	-0/4	248/0	247/0	72,582	4,313
Sep	252/2	-	252/4	251/6	11,921	429
Dec	259/4	-	257/0	255/4	57,137	3,317
Mar	262/6	-0/2	263/2	262/0	5,768	678
Total					312,625	29,980

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.00	+1.60	-	-	278	-
May	103.00	+0.75	-	-	88	-
Sep	97.00	+0.50	-	-	100	-
Nov	99.25	-0.50	99.30	99.25	259	30
Jan	100.50	-0.35	100.50	100.50	20	4
Mar	102.25	-0.20	-	-	-	-
Total					745	34

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	555/6	-2/0	559/6	555/2	46,762	27,576
May	565/4	-1/4	569/2	564/6	33,124	8,246
Jul	572/4	-1/4	576/4	572/0	31,753	6,813
Aug	575/4	-1/4	578/6	575/4	3,908	375
Sep	576/6	-2/0	580/4	576/4	2,736	312
Nov	584/6	-1/4	588/4	584/4	18,307	3,383
Total					136,587	46,801

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	27.30	+0.02	27.44	27.18	34,824	13,558
May	26.52	+0.04	26.60	26.42	26,032	4,757
Jul	26.02	+0.09	26.08	25.90	16,886	2,518
Aug	25.70	+0.08	25.73	25.62	5,167	588
Sep	25.52	+0.17	25.55	25.38	4,896	277
Oct	25.30	+0.18	25.30	25.20	8,242	385
Total					103,556	23,502

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	154.2	-0.7	155.3	153.9	29,893	6,727
May	157.8	-0.8	159.1	157.6	24,743	3,996
Jul	162.2	-0.5	163.3	162.0	19,309	1,645
Aug	164.2	-0.5	165.3	164.0	6,627	544
Sep	166.1	-0.4	167.0	165.9	4,259	167
Oct	167.9	-0.4	169.0	167.8	7,902	247
Total					101,823	13,926

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	351.5	-	-	-	-	-
Apr	268.5	-8.0	286.0	268.5	756	178
May	292.5	-4.0	-	-	54	-
Jun	250.0	-	-	-	-	-
Total					826	178

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	2030	-13	2030	2025	331	11
Mar	2022	-13	2020	2020	264	4
Apr	2015	-23	2040	2010	1,389	52
Jul	1770	-7	1775	1765	875	12
Oct	1770	+4	1770	1770	733	3
Jan	1755	+5	-	-	108	-
Total					3,706	82

	Close	Prev
BFI	1984	1990

Tea

The Tea Broker's Association reports, good general demand. The few remaining assams on offer were irregularly easier. Brightest East Africans appreciated while lighter liquoring teas were firm. Mediums sold well with prices fully firm to 5p higher. Ceylons tended dearer. Quotations: best available 150p/kg, nom, good 125p/kg., good medium 115p/kg., medium 96p/kg., low medium 85p/kg. The highest price realised this week was 157p for a Burundi pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1019	+13	1024	1008	30,303	3,294
May	1014	+7	1018	1005	21,048	3,227
Jul	1024	+6	1026	1015	11,158	771
Sep	1033	+4	1036	1026	14,149	678
Dec	1040	+3	1044	1038	15,728	112
Mar	1051	+4	1056	1047	13,711	793
Total					118,929	8,881

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1352	-6	1370	1352	7,522	5,789
May	1381	-6	1397	1380	32,806	6,859
Jul	1408	-4	1418	1405	11,332	567
Sep	1426	-7	1433	1428	4,157	294
Dec	1443	-13	1460	1450	4,856	24
Mar	1465	-13	-	-	6,951	49
Total					77,571	13,641

■ COCOA (ICCO) (SDR's/tonne)

Feb 10	Price	Prev. day
Daily	1006.85	992.16

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	2859	+4	2870	2855	9,126	785
May	2783	-10	2805	2780	11,190	1,636
Jul	2741	-11	2760	2733	3,942	587
Sep	2722	-15	2742	2730	3,719	123
Nov	2714	-14	-	-	983	-
Jan	2710	-5	-	-	139	-
Total					29,076	3,133

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	162.20	-0.55	163.45	161.85	11,136	6,104
May	164.25	-0.40	165.40	163.90	12,326	3,877
Jul	165.90	+0.20	166.50	165.00	5,857	775
Sep	166.10	-0.20	166.80	166.00	3,570	533
Dec	165.80	-0.40	167.00	165.75	3,571	348
Mar	164.80	-0.40	-	-	375	78
Total					36,898	11,715

■ COFFEE (ICO) (US cents/pound)

Feb 10	Price	Prev. day
Comp. daily	150.35	148.47
15 day average	147.61	148.04

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.47	+0.08	-	-	925	-
May	14.40	+0.11	-	-	860	-
Jul	13.40	-	-	-	300	-
Oct	13.53	-	-	-	-	-
Jan	11.95	-	-	-	-	-
Total					2,085	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	396.50	+0.40	394.3	392.5	2,969	2,453
May	383.50	+0.20	377.0	374.7	9,141	617
Aug	375.80	-0.30	349.5	348.3	8,430	73
Oct	347.80	+0.10	343.4	343.4	2,306	14
Dec	343.40	+0.40	401.8	398.0	240	10
Mar	340.40	+1.30	-	-	619	10
Total					21,821	3,182

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.28	+0.03	14.31	14.14	40,657	9,927
May	14.12	+0.04	14.13	14.04	52,058	6,892
Jul	13.38	+0.01	13.37	13.31	33,581	1,919
Oct	12.82	-0.01	12.86	12.81	33,776	1,883
Mar	12.40	-0.04	12.43	12.38	9,668	1,027
May	12.32	-0.04	-	-	2,411	103
Total					174,849	21,769

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	92.99	+2.00	92.99	90.50	14,945	4,784
May	91.63	+1.70	91.70	86.30	19,182	3,817
Jul	89.13	+1.20	88.60	87.76	13,816	1,843
Oct	78.65	+0.55	78.65	78.00	4,713	554
Dec	74.35	+0.15	74.40	74.15	18,460	1,443
Mar	75.40	+0.05	75.45	75.30	1,885	94
Total					71,219	12,523

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.95	+0.85	104.45	103.35	11,440	10,942
May	108.15	+0.85	108.60	107.30	6,054	514
Jul	111.80	+0.45	112.20	111.50	1,500	59
Sep	115.50	+1.00	115.50	114.75	2,575	74
Nov	114.30	+1.40	115.00	115.00	2,021	10
Jan	115.80	+1.40	-	-	999	34
Total					24,757	11,636

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 13	Feb 10	month ago	year ago
2257.7	2247.5	2254.3	1783.4

■ CRB Futures (Base: 1967=100)

Feb 10	Feb 9	month ago	year ago
233.93	232.67	233.41	227.25

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	75.450	-0.050	75.800	75.275	9,355	3,965
Apr	74.850	-0.075	74.950	74.550	45,061	8,739
Jun	67.750	-	68.050	67.650	18,316	2,347
Aug	64.675	-	64.950	64.600	6,239	986
Oct	65.450	-	65.750	65.400	1,238	34
Dec	66.450	-	66.650	66.400	926	32
Total					82,534	16,097

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.200	-0.125	39.575	39.025	1,880	1,317
Apr	38.375	-0.025	38.800	38.200	13,925	5,583
Jun	44.150	+0.100	44.400	44.000	7,070	1,266
Aug	43.200	+0.075	43.500	43.150	1,938	334
Oct	40.525	+0.025	40.750	40.500	2,477	217
Dec	41.550	+0.125	41.600	41.350	2,210	81
Total					39,423	8,814

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	42.300	-0.525	42.900	41.850	872	270
Mar	42.150	-0.200	42.850	41.675	3,808	1,797
May	42.675	-0.325	43.500	42.550	3,157	785
Jul	43.150	-0.400	43.650	42.750	1,376	159
Aug	40.350	-0.350	41.400	40.350	391	49
Feb	51.250	+0.100	51.250	50.800	60	9
Total					9,573	3,069

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1800	158	212	41	73
1900	99	156	80	115
2000	57	112	137	167
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2700	-	165	-	82
2800	152	114	50	128
2900	95	78	92	187
■ COFFEE LCE	Mar	May	Mar	May
2700	159	209	1	126
2750	110	183	7	150
2800	66	159	22	176
■ COCOA LCE	Mar	May	Mar	May
975	44	66	-	27
1000	21	52	2	39
1025	6	40	12	51
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	45	65	23	78
1700	23	47	48	110
1750	15	32	82	145

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$16.19-6.21z	-0.01
Brent Blend (dated)	$16.62-6.68	-0.20
Brent Blend (Apr)	$16.81-6.84	-0.01
W.T.I. (1pm est)	$18.08-8.10z	-0.12

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$171-173	
Gas Oil	$148-149	-1
Heavy Fuel Oil	$103-104	
Naphtha	$168-169	
Jet fuel	$164-166	-2
Diesel	$150-151	-1

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

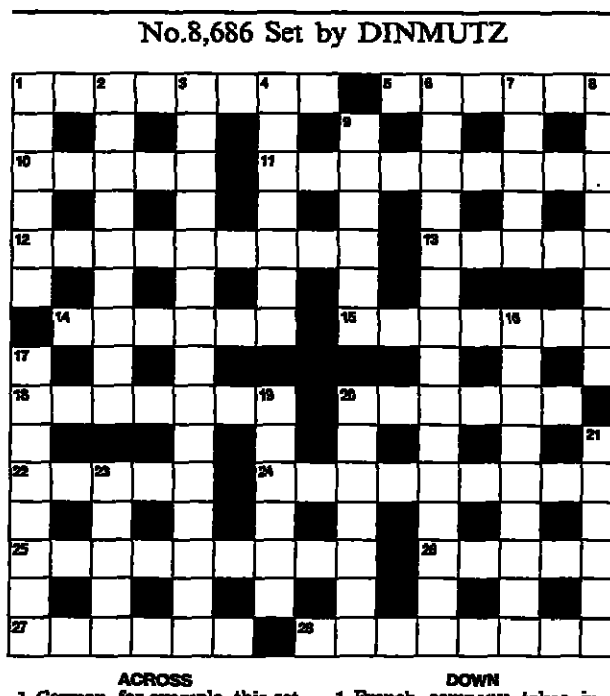
Gold (per troy oz)♣	$374.60	-2.0
Silver (per troy oz)♣	471.50c	-5.0
Platinum (per troy oz.)	$413.0	-1.0
Palladium (per troy oz.)	$157.0	+0.15
Copper (US prod.)	141.0c	+3.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.89m	+0.05
Tin (New York)	256.50c	-1.00
Cattle (live weight)†	120.15p	+0.70*
Sheep (live weight)†♠	119.42p	-2.19*
Pigs (live weight)	82.82p	-4.72*
Lon. day sugar (raw)	$349.2	+4.0
Lon. day sugar (wte)	$398.5	+1.1
Tate & Lyle export	£338.0	+2.0
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	117.5p	-3.0
Rubber (Apr)♥	117.5p	-4.0
Rubber (KL RSS No1)	462.5m	-1.5
Coconut Oil (Phil)§	$642.5y	
Palm Oil (Malay.)§	$662.5t	+7.5
Copra (Phil)§	$416.0y	-3.0
Soyabeans (US)	£167.0q	
Cotton Outlook'A' index	98.35c	
Wooltops (64s Super)	512p	+2.0

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Apr. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,686 Set by DINMUTZ



ACROSS

1 German, for example, this settler? (8)
5 A number suffered injuries, having dawdled (6)
10 Devon's captain and slow bowler (5)
11 Settling up, graduate is going to school (9)
12 Breaks popular, with foreign travels (9)
13 A light at right angles to the length of vessel (5)
14 One legislator taking most of garden hamper? (6)
15 Capital of converted USA gold (7)
18 Pretty young woman a potential climber? (7)
20 A disposition of arms? (6)
22 Simple fellow, a doctor in crime (5)
24 Clever people, well-informed before races possibly? (9)
25 Girl's ploughman produces the spirit . . . . (9)
26 . . . . and the fibre in Uist, legally! (5)
27 Holiday depression? (6)
28 Composer of sad organ pieces (8)

DOWN

1 French company takes in a divine adviser on courses (6)
2 Appointed hours for taking in the Commons, say? (9)
3 Barmaids tend one, giving change for machines (3-5, 7)
4 See 'em tossing caber with firm clasp . . . . (7)
6 . . . . making very little of it all (15)
7 Runner between banks has nothing in Italian currency (5)
8 Double Dutch exponent? (8)
9 Crowded day over? (6)
16 Delivered late, bride is upset (9)
17 Did one kick up a holy row? (8)
19 Waddle awkwardly and waste time (6)
20 He gives comfort and cover (7)
21 Fools need only a second to size up (6)
23 Amatory ailment of man opening play (5)

Solution to Saturday's prize puzzle on Saturday February 25.
Solution to yesterday's prize puzzle on Monday February 27.

Concern over inflation hits European prices

By Graham Bowley in London and Lisa Branston in New York

Concern about rising inflationary pressures in Europe and weakness in US Treasuries drove European government bond markets lower yesterday.

Worries about inflation re-emerged following US producer price data released on Friday and strong UK and Spanish producer price numbers published yesterday, dealers said.

■ The UK government bond market was one of the worst hit, due to the stronger than expected jump in both producer's input and output prices in January.

The gilt yield spread over German government bonds widened to 145 basis points, from 139 basis points at Friday's close. The long gilt future on Liffe was down 30/32 at 101 1/32 in late trading.

"There is also the sense that gilts' good performance last week, despite the weakness of sterling due to political concerns, was overdone," said Mr Ifty Islam of Merrill Lynch.

There was disappointment too that the next gilt auction will be of 10-year and not of five-year stock, dealers said.

■ German government bonds fell in thin cash trading with most activity confined to futures markets.

After failing on Friday to break through an important resistance level at 91.10, the bund futures contact on Liffe fell to around 90.31 in late trading, down 0.30 points.

However, the contract found support around 90.20, which bodes well for trading today, dealers said.

The current focus of the market is on the IG Metall wage talks, although concern about possible wage rises are confined more to international investors than domestic investors, according to Mr Christoph Anhamm at UBS in Frankfurt.

GOVERNMENT BONDS

■ French government bonds followed Germany lower, with uncertainty over the forthcoming presidential elections also weighing on prices.

The March futures contract on Matif settled down 0.36 at 111.82. The yield spread over bunds stood at 56 basis points in late trading.

Ms Jane Edwards of Lehman Brothers said a climbdown by prime minister Mr Edouard Balladur over education and signs of conflict on public spending were unnerving investors in the French market.

■ Continuing political uncertainty and the weakness of the lira unnerved the Italian market.

The prospect of fresh supply of government bonds is also causing concern. "Italy has a lot of debt maturing this year and this refinancing burden is weighing on the market," said Mr Keith Edmonds, chief analyst at IBJ International.

■ Spanish government bonds fell, with the 10-year contract on the Spanish futures exchange down 0.42 at 85.09.

Dealers said there was concern over the impact of a VAT rise on consumer price data, due today.

■ US Treasury prices slipped in thin trading yesterday morning with no new economic data to quieten re-emerging fears of inflation.

At midday the benchmark 30-year Treasury was down 3/16 at 99 5/8 to yield 7.679 per cent. At the short end of the market, the two-year note fell 1/32 to 100 1/16, yielding 7.306 per cent.

The producer price index for January, released last Friday, was surprisingly low but several sub-indices, especially for intermediate goods, were up strongly, adding to investor concern that inflationary pressures remain at lower levels in the economy.

On Wednesday, the Labor Department is to release data on the consumer price index and there was fear in the market that the numbers would hold further signs of inflationary pressure. Economists expect the CPI to have risen by around 0.3 per cent in January, up from the 0.2 per cent increase posted for December.

Other important figures due this week include those on capacity utilisation and retail sales.

While not as important as the capacity utilisation data, January retail sales figures to be released today should give investors their first hint this week of economic activity. Economists anticipate a moderately strong 0.4 per cent increase for January after a 0.1 decline in December.

January's capacity utilisation figures should be of special interest to investors because members of the Federal Reserve have consistently pointed to high figures to justify interest rate increases, and predictions are that the number will remain high.

Korean group to list GDRs in UK

By John Burton in Seoul

Korea Mobile Telecom plans to become the second Korean company to be listed on the London Stock Exchange, with the issue of $150m in global depositary receipts (GDRs) in late March.

The KMT offering will come shortly after a London-listed $70m GDR issue by Daewoo Corporation, the trading and construction arm of the Daewoo group, which is scheduled for mid-March.

Merrill Lynch International has been appointed to arrange the London listing for KMT, the monopoly supplier of cellular phone services in Korea.

The company has proved popular with foreign investors on the Seoul bourse because of its high profits margins.

KMT, which is expected to report earnings of Won130bn ($164m) on sales of Won700bn for 1994, has the second highest share price on the Seoul bourse at Won451,000.

It is seeking new investment capital for a Won300bn programme to expand its services and upgrade its cellular phone technology to a digital system in response to the entry of its first competitor, Shinsegi Mobile Telecom, in 1996.

KMT was a state-owned company until last year, when the Sunkyong industrial group took management control from Korea Telecom.

Pohang Iron and Steel (Posco), Korea's biggest steelmaker and the leading shareholder in Shinsegi, has also announced its intention to be listed on the London exchange this year, following its recent listing on the New York Stock Exchange.

Posco and Korea Electric Power each issued $300m in depositary receipts on the New York exchange last October, becoming the first Korean companies to be listed abroad.

The growth of foreign listings by Korean companies follows the relaxation of government restrictions on corporate borrowing abroad as part of its financial liberalisation programme.

Swift passage seen for CFTC reauthorisation

By Laurie Morse in Chicago

The Commodity Futures Trading Commission, the chief derivatives regulator in the US, is headed for a swift reauthorisation from Congress.

Late on Friday, the US Senate approved a one-line bill giving the agency regulatory authority for a further five years.

The bill must now be considered and approved by the House of Representatives before it can become law.

The bill's rapid passage through the Senate was unusual, since the futures industry and Congress traditionally have used the agency's reauthorisation process as a platform for debating US derivatives law and practices.

The CFTC's last reauthorisation dragged on for three years, and was completed in 1992.

Fannie Mae taps into demand for 10-year paper

By Martin Brice

Euromarket investors were presented with a flurry of deals in different currencies yesterday, with a $500m global from Fannie Mae tapping into demand in the 10-year sector.

Joint book-runners J. P. Morgan and Morgan Stanley reported the Fannie Mae bonds all sold, and holding steady at the issue spread of 27 basis points over the comparable Treasury.

INTERNATIONAL BONDS

Demand came from the US, Japan and the UK, said syndicate officials.

Willingness by institutions to buy in the 10-year area was seen by some syndicates as evidence that investors are taking a less defensive attitude.

Late in the day, UBS launched at $200m three-year floating-rate note at 10 basis points over Libor for National Bank of Canada. Initial reports were of strong demand from UK and German institutions. UBS was aiming for overnight sales into Tokyo.

Rabobank increased its $250m four-year issue carrying a 7.5 per cent coupon brought via PaineWebber in November, which was trading through the Treasury. The $100m increase came at 8 basis points over the Treasury.

GECC raised $200m with a two-year bond carrying a 7.625 per cent coupon, handled by BZW, which brought the deal for the AA rated name at 15 basis points over the comparable Treasury.

The success of the deal points to the end of the glut of two-year dollar paper stemming from the huge issuance at the beginning of this year.

The $200m two-year deal for A rated PepsiCo came at 25 basis points over the Treasury via IBJ, which said this was the first significant US corporate deal from a Japanese house in the 1990s.

Last week IBJ handled its first dollar-denominated equity warrant transaction. The PepsiCo deal was bought by private banks in Hong Kong and retail investors in Switzerland.

The World Bank L350bn three-year deal with a 10.625 per cent coupon came at 90 basis points below the comparable Italian government bond, through joint books BNL, Cariplo and SBC. The deal was launched on the back of strong demand for the EIB deal brought last week.

Deutsche Bank and Norddeutsche LB handled a domestically-structured DM1bn five-year floating-rate note at 5 basis points under Fibor for Sachsen-Anhalt, an east German regional government.

The borrower wanted to expand its investor base, and around half the banks in the syndicate were US or French.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Fannie Mae(d)	500	7.875	99.932R	Feb.2005	0.325R	+27 (7½%-05)	JP Morgan Securities
National Bank of Canada‡	200	(a)	99.90R	Mar.1998	0.125R	-	UBS
GECC	200	7.625	100.068R	Mar.1997	0.125R	+15 (7½%-97)	BZW
PepsiCo	200	7.75	100.09R	Feb.1997	0.188R	+25 (7½%-97)	IBJ Intl.
Rabobank(c)	100	7.50	99.326R	Nov.1998	0.20R	-	PaineWebber
YEN							
Sumitomo Cap. Neth.(b)‡	10bn	(b)	100.20	Aug.1997	0.20	-	Sanwa Intl.
FRENCH FRANCS							
Argentaria Global Finance	1.5bn	7.5	99.689R	Mar.1998	0.225R	+30(9.7%-97)	JP Morgan Securities
ITALIAN LIRE							
World Bank	350bn	10.625	101.115	Mar.1998	1.25	-	BNL/Cariplo/SBC
AUSTRALIAN DOLLARS							
SBAB	200	zero	81.94	May.1997	1.125	-	Daiwa Europe

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ♦With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-month Libor + 10bp. b) 3-month Yen Libor + 25bp. Coupon capped at 3% until 28.5.96 and capped at 3.5% thereafter to maturity. c) Increase to $250m original issue launched 1994. d) Launched off Global debt programme.

Tunisia plans second samurai bond issue

By Roula Khalaf

Daiwa Securities and Nikko Securities have joined forces to market a Y25bn samurai bond issue for Tunisia, one of the star emerging markets in the Arab world.

The issue, which has a five-year maturity and yields 140 basis points over Libor, is the second samurai to be launched by the North African country. Last March, Nikko Securities won the mandate to sell a Y30bn 10-year issue. The new issue closes on February 28.

Daiwa had won the original mandate from the Tunisian government but decided to bring Nikko in as joint lead manager.

The reason, according to traders, is that the issue is tightly priced and will prove a hard sell, especially as the first samurai found little appetite for Tunisian paper among Japanese investors.

The Japanese securities houses, however, are willing to do another tight deal to gain market share. The Tunisian bond issue is the first Nikko-led samurai so far this year. Tunisia has a BBB+ rating – the same as Greece – from Japan's JBRI, which is considered more generous than US rating agencies.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.5900	–0.390	10.23	10.09	10.06
Austria		7.500	01/05	96.6800	–0.320	7.99	7.65	7.76
Belgium		7.750	10/04	95.1800	–0.530	8.33	8.25	8.50
Canada *		9.000	12/04	99.3500	–0.200	9.10	8.97	9.19
Denmark		7.000	12/04	87.7500	–0.300	8.82	8.84	9.11
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.2600	–0.420	8.04	8.08	8.40
Germany Bund		7.375	01/05	99.3500	–0.390	7.47	7.42	7.67
Ireland		6.250	10/04	82.9000	–0.700	8.79†	8.79	9.01
Italy		9.500	01/05	85.7000	–0.870	12.01	10.82	12.04
Japan	No 119	4.800	06/99	103.2910	-	3.93	3.99	3.84
	No 164	4.100	12/03	96.7070	+0.180	4.63	4.68	4.59
Netherlands		7.250	10/04	97.5600	–0.370	7.60	7.57	7.81
Portugal		8.875	01/04	85.3000	+0.500	11.85	11.85	11.84
Spain		10.000	02/05	90.6000	–0.300	11.58	11.53	11.71
Sweden		6.000	02/05	71.8190	–0.370	10.74	10.84	10.91
UK Gilts		6.000	08/99	90–10	–16/32	8.67	8.58	8.70
		8.500	12/05	98–17	–24/32	8.71	8.57	8.76
		9.000	10/08	102–18	–24/32	8.68	8.56	8.72
US Treasury *		7.875	11/04	101–22	-	7.62	7.52	7.88
		7.500	11/24	97–12	+2/32	7.73	7.64	7.93
ECU (French Govt)		6.000	04/04	84.6700	–0.350	8.48	8.43	8.78

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	5.70	Two year	7.34
Prime rate	9	Two month	6.00	Three year	7.49
Broker loan rate	6½	Three month	5.97	Five year	7.56
Fed.funds	6	Six month	6.41	10-year	7.62
Fed.funds at intervention	-	One year	6.87	30-year	7.69

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.20	111.82	-0.38	112.22	111.80	96,936	149,426
Jun	111.30	110.94	-0.36	111.32	111.00	3,469	10,937
Sep	110.56	110.20	-0.36	110.56	110.56	2	1,557

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
111	0.95	1.36	-	0.14	1.37	-
112	0.32	0.87	-	0.50	1.84	-
113	0.07	0.52	-	1.21	-	-
114	0.02	0.29	-	-	-	-
115	-	0.14	-	-	-	-

Est. vol. total. Calls 18,870 Puts 26,867. Previous day's open int., Calls 193,214 Puts 198,409.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.66	90.27	-0.35	90.70	90.20	128250	217188
Jun	90.01	89.65	-0.35	90.06	89.60	2523	10592

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9000	0.44	0.49	0.70	0.85	0.17	0.84	1.05	1.20
9050	0.18	0.31	0.51	0.64	0.41	1.16	1.36	1.49
9100	0.06	0.19	0.36	0.48	0.79	1.54	1.71	1.85

Est. vol. total, Calls 14187 Puts 18278. Previous day's open int., Calls 212314 Puts 171135

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.40	99.71	-0.83	100.45	99.66	44216	57044
Jun	99.31	98.66	-0.89	99.31	98.69	139	1963

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	0.55	1.38	0.34	2.22
10000	0.29	1.16	0.58	2.50
10050	0.15	0.96	0.94	2.80

Est. vol. total, Calls 2584 Puts 2232. Previous day's open int., Calls 32153 Puts 30069

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.47	85.08	-0.42	85.50	85.03	31,924	48,834
Jun	-	84.58	-	-	-	-	871

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-25	100-30	-0-28	101-25	100-27	73799	94250
Jun	101-18	101-02	-0-28	101-24	101-02	546	2528

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-09	2-19	0-13	1-15
101	0-30	1-47	0-34	1-43
102	0-09	1-16	1-13	2-12

Est. vol. total, Calls 7042 Puts 6827. Previous day's open int., Calls 47382 Puts 83538

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	82.16	81.84	-0.36	82.16	81.86	2,556	6,726
Jun	81.62	81.62	-0.34	81.62	81.82	200	1,400

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	101-20	101-14	-0-04	101-22	101-11	489,782	345,154
Jun	101-04	100-31	-0-02	101-05	100-28	8,215	40,214
Sep	100-23	100-23	-	100-23	100-23	1,045	7,581

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.69	-	-	108.81	108.68	2074	0
Jun	107.99	-	-	108.10	107.99	1051	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 13	Day's change %	Fri Feb 10	Accrued interest	xd adj. ytd		Low coupon yield Feb 13	Low coupon yield Feb 10	Low coupon yield Yr. ago	Medium coupon yield Feb 13	Medium coupon yield Feb 10	Medium coupon yield Yr. ago	High coupon yield Feb 13	High coupon yield Feb 10	High coupon yield Yr. ago
1 Up to 5 years (23)	118.86	–0.35	119.28	1.92	1.40	5 yrs	8.68	8.53	5.98	8.70	8.57	6.21	8.87	8.73	6.30
2 5-15 years (22)	138.76	–0.69	139.72	1.92	1.73	15 yrs	8.59	8.48	6.76	8.70	8.59	6.85	8.92	8.82	7.04
3 Over 15 years (9)	153.96	–0.92	155.39	1.16	2.96	20 yrs	8.55	8.44	6.85	8.70	8.59	6.85	8.83	8.72	7.05
4 Irredeemables (6)	177.43	–1.40	179.94	3.00	0.00	Irred.†	8.58	8.45	6.94						
5 All stocks (60)	135.78	–0.63	136.64	1.83	1.81										

Index-linked							Inflation 5% Feb 13	Inflation 5% Feb 10	Inflation 5% Yr. ago	Inflation 10% Feb 13	Inflation 10% Feb 10	Inflation 10% Yr. ago
6 Up to 5 years (2)	188.72	–0.06	188.82	0.44	1.45	Up to 5 yrs	3.84	3.80	2.36	2.61	2.56	1.55
7 Over 5 years (11)	173.93	–0.35	174.54	0.80	0.59	Over 5 yrs	3.92	3.89	3.06	3.74	3.71	2.89
8 All stocks (13)	174.56	–0.32	175.12	0.76	0.66							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 13	Feb 10	Feb 9	Feb 8	Feb 7	Yr ago	High*	Low*
Govt. Secs. (UK)	90.71	91.23	91.77	91.80	92.12	103.96	107.04	89.54
Fixed Interest	110.14	110.45	110.47	110.45	109.74	128.11	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6
Gilt Edged bargains	88.1	90.4	98.1	96.4	81.7
5-day average	90.9	92.3	94.7	92.5	92.7

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)						
Exch 3pc Gas 1990-95	3.02	6.35	99⅝	——	103¼	97¾
10¼pc 1995	10.10	6.79	101½	-1/16	107 3/32	101½
Treas 12¾pc 1995‡‡	12.24	6.98	104⅛	-1/32	113⅛	104⅛
14pc 1996	13.20	7.21	106 1/16	-⅛	117⅛	106 1/16
15¼pc 1996‡‡	14.01	7.55	108 13/16	-⅛	121 13/16	108 13/16
Exch 13¼pc 1996‡‡	12.44	7.71	106 15/32	-⅛	117 23/32	106 15/32
Conversion 10pc 1996	9.69	7.97	103¼	-⅛	112⅛	103⅛
Treas Cnv 7pc 1997‡‡	7.20	8.27	97⅜	-⅛	100⅞	96⅞
Treas 13¼pc 1997‡‡	12.14	8.05	109⅛	-⅛	121⅛	109⅛
Exch 10½pc 1997	10.07	8.15	104⅜xd	-¼	114⅜	104⅛
Treas 8¾pc 1997‡‡	8.68	8.40	100 [illegible]xd	[illegible]	110⅛	100⅛
Exch 15pc 1997	12.98	8.47	115 [illegible]	-⅛	131 [illegible]	115 [illegible]
9¾pc 1998	9.47	8.59	102 [illegible]	[illegible]	114 [illegible]	102 [illegible]
Treas 7¼pc 1998‡‡	7.51	8.57	96½	-1/16	106⅛	95⅞
Treas 6¾pc 1995-98‡‡	7.11	8.59	94 [illegible]	-¼	102	93 [illegible]
14pc 1998-1	12.19	8.88	114⅞	[illegible]	131 [illegible]	114 [illegible]
Treas 15½pc '98‡‡	12.81	8.61	121 [illegible]	[illegible]	140 [illegible]	121 [illegible]
Exch 12pc 1998	10.87	8.70	110 [illegible]	[illegible]	125 [illegible]	110 [illegible]
Treas 9½pc 1999‡‡	9.25	8.67	102¾	[illegible]	116 [illegible]	100⅞
Exch 12¼pc 1999	10.94	8.75	111 [illegible]xd	[illegible]	128 [illegible]	111 [illegible]
Treas 10½pc 1999	9.88	8.71	106 [illegible]	[illegible]	121 [illegible]	105 [illegible]
Treas 6pc 1999 ‡‡	6.84	8.65	90 [illegible]	[illegible]	101 [illegible]	88 [illegible]
Conversion 10¼pc 1999	9.69	8.74	105 [illegible]	[illegible]	121 [illegible]	104 [illegible]
Treas Flg Rate 1999	-	-	99¾xd	——	100 [illegible]	99 [illegible]
Five to Fifteen Years						
8pc 2000	8.23	8.60	97¼	-⅛	98⅞	96
Conv 9pc 2000‡‡	8.93	8.67	101 [illegible]xd	-⅛	110 [illegible]	99¾
Treas 13pc 2000	11.03	8.78	117⅞	[illegible]	136 [illegible]	116 [illegible]
10pc 2001	9.46	8.82	105 [illegible]xd	[illegible]	122 [illegible]	103½
7pc 2001 ‡‡	7.67	8.74	91 [illegible]	[illegible]	106 [illegible]	89 [illegible]
9¾pc 2002	9.30	8.85	104 [illegible]xd	[illegible]	123 [illegible]	102 [illegible]
8pc 2003‡‡	8.37	8.76	95 [illegible]	[illegible]	113 [illegible]	92 [illegible]
10pc 2003	9.36	8.84	106 [illegible]xd	[illegible]	127 [illegible]	104½
Treas 11½pc 2001-4	10.29	8.95	111 [illegible]xd	-¼	129 [illegible]	109 [illegible]
Funding 3½pc 1999-4	4.75	7.45	73⅝	[illegible]	85 [illegible]	69¼
Conversion 9½pc 2004	9.11	8.81	104⅛	[illegible]	125⅛	101⅛
Treas 6¾pc 2004‡‡	7.74	8.71	87¼	[illegible]	[illegible]	[illegible]
8½pc 2005	8.63	8.69	98 [illegible]	[illegible]	[illegible]	[illegible]
Conv 9½pc 2005	9.08	8.79	104 [illegible]	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5	10.37	8.94	120 [illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2006‡‡	8.32	8.69	93¼xd	[illegible]	[illegible]	[illegible]
8pc 2002-6‡‡	8.48	8.75	94 [illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7	10.22	9.08	114 [illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2007 ‡‡	8.63	8.69	98½	[illegible]	[illegible]	[illegible]
13½pc 2004-8	10.82	9.05	127 [illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2008 ‡‡	8.78	8.67	102 [illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2009	8.47	8.60	94½	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
Treas 6 1/4pc 2010	7.79	8.55	80 [illegible]	[illegible]	[illegible]	[illegible]
Conv 9pc Ln 2011 ‡‡	8.73	8.63	103 [illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2012‡‡	8.71	8.62	103 [illegible]	[illegible]	[illegible]	[illegible]
Treas 5½pc 2008-12‡‡	7.47	8.39	73 [illegible]xd	[illegible]	[illegible]	[illegible]
Treas 8pc 2013‡‡	8.45	8.57	94 [illegible]	[illegible]	[illegible]	[illegible]
8pc 2015	-	8.51	94 [illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2012-15‡‡	8.42	8.57	92 [illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 2017‡‡	8.58	8.54	102 [illegible]xd	[illegible]	[illegible]	[illegible]
Exch 12pc 2013-17	9.28	8.78	129¼	[illegible]	[illegible]	[illegible]
Undated						
Consols 4pc	8.77	-	45 [illegible]	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡	8.62	-	41 [illegible]	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft	8.04	-	57 [illegible]	[illegible]	[illegible]	[illegible]
Treas 3pc '66 Aft	8.88	-	34 [illegible]	[illegible]	[illegible]	[illegible]
Consols 2½pc	8.51	-	29 [illegible]	[illegible]	[illegible]	[illegible]
Treas. 2½pc	8.66	-	28 [illegible]	[illegible]	[illegible]	[illegible]

Index-Linked [illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1994: 144.7 and for December 1994: 146.0.

Other Fixed Interest [illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89½	89¾	-⅛	8.30
Alberta Province 7⅝ 98	1000	98¾	99⅛	-⅛	8.01
Austria 8½ 00	400	102⅜	102⅝	-⅛	7.90
Bank Ned Gemeenten 7 99	1000	97	97¼		7.79
Bank of Tokyo 8⅜ 96	100	100½	100⅞	-⅛	7.86
Belgium 5½ 03	1000	83¾	84	-⅛	8.17
BFCE 7¼ 97	150	100	100⅜	-⅛	7.74
British Gas 0 21	1500	11⅝	11⅞		8.39
Canada 9 96	1000	101½	101¾		7.43
Cheung Kong Fin 5½ 98	500	88⅞	89⅛	-¼	9.32
China 6½ 04	1000	84¼	84¾	-¼	9.31
Council Europe 8 98	100	100⅜	100¾	-⅛	7.67
Credit Foncier 9½ 99	300	105⅛	105⅜	-⅛	7.98
Denmark 5¾ 98	1000	94⅝	94⅞		7.80
East Japan Railway 6⅝ 04	600	90⅛	90⅜		8.20
ECSC 8¼ 96	193	100¾	101¼		7.76
EEC 8¼ 96	100	100¾	101⅛	-⅛	7.59
EIB 7¾ 96	250	100¼	100⅝	-⅛	7.50
EIB 9¼ 97	1000	103½	103⅞	-⅛	7.77
Elec de France 9 98	200	102¾	103⅛		7.95
Eurofima 9¼ 98	100	101¾	102		7.48
Ex-Im Bank Japan 8 02	500	99⅞	100¼	-⅛	8.01
Export Dev Corp 9½ 98	150	104⅜	104¾	-⅛	7.98
Federal Natl Mort 7.40 04	1500	96⅝	97	-⅛	8.03
Finland 6¾ 97	3000	97½	97¾	-⅛	7.91
Ford Motor Credit 6¼ 98	1500	95⅛	95¾		8.16
Gen Elec Capital 9⅜ 96	300	102	102¼		7.66
GMAC 9⅛ 96	200	101⅛	101½	-⅛	7.97
Ind Bk Japan Fin 7⅞ 97	200	99⅜	99⅝	-⅛	8.18
Inter Amer Dev 7⅝ 96	200	99⅞	100⅛		7.66
Italy 6⅞ 23	3500	78⅝	79¼	-¼	9.07
Japan Dev Bk 8⅜ 01	500	101⅝	102	-⅛	8.02
Kansai Elec Pwr 10 96	350	102⅝	102¾	-⅛	7.69
Korea Elec Power 6⅜ 03	1350	85¾	86⅛	-⅛	8.92
LTCB Fin 8 97	200	99⅞	100⅛	+⅛	8.08
Matsushita Elec 7¼ 02	1000	95½	95¾		8.23
Norway 7¼ 97	1000	99¼	99½		7.62
Ontario 7⅜ 03	3000	95¼	95½		8.37
Oster Kontrollbank 8½ 01	200	102⅝	102¾	-⅛	7.99
Petro-Canada 7¼ 96	200	99⅝	100	-⅛	7.75
Portugal 5¾ 03	1000	85½	85⅞	-⅛	8.35
Quebec Hydro 9¾ 98	150	104¼	104⅝		8.31
Quebec Prov 9 98	200	102	102½		8.24
Sainsbury 9⅞ 98	150	101⅞	102¼		7.81
SAS 10 99	200	104⅞	105	+⅛	8.67
SNCF 9½ 98	150	104⅛	105	-⅛	7.86
Spain 6½ 99	1500	94½	94⅝		7.95
State Bk NSW 8½ 96	200	100⅞	101¼		7.75
Sweden 6½ 03	2000	90⅛	90½		8.32
Swedish Export 8⅜ 98	700	100¾	101	-⅛	7.69
Tokyo Elec Power 6⅛ 03	1000	87⅞	88⅛		8.15
Tokyo Metropolis 8¼ 96	200	100⅞	101⅛		7.65
Toyota Motor 5⅝ 98	1500	94⅛	94⅜	-⅛	7.68
United Kingdom 7¼ 02	3000	95¼	95½	-⅛	7.90
World Bank 8⅜ 99	1500	102⅜	102⅝	-⅛	7.80
World Bank 8⅛ 97	1500	102½	102¾	-⅛	7.55
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	83½	83⅞	-¼	7.97
Credit Foncier 7¼ 03	2000	97⅛	97½	-⅛	7.74
Denmark 6⅛ 98	2000	98⅝	98⅞	-⅛	6.79
Depfa Finance 6⅝ 03	1500	91⅛	91½	-¼	7.77
Deutsche Bk Fin 7½ 03	2000	99½	100	+⅛	7.59
EEC 6½ 00	2900	97¼	97⅝		7.04
EIB 6¼ 03	1500	96⅝	97	-⅛	7.05
Finland 7½ 00	3000	101	101¼		7.25
Italy 7¼ 98	5000	100½	100⅝	-⅛	7.08
LKB Baden-Wuert 6½ 03	2250	88¾	89	-⅛	7.87
Norway 6⅛ 98	1500	98⅛	98⅝	-⅛	6.78
Ontario 6¼ 04	1500	89¾	89⅞	-¼	7.98
Spain 7¼ 03	4000	97⅜	97½	-¼	7.70
Sweden 8 97	2500	102⅝	102⅞	-⅛	6.89
United Kingdom 7¼ 97	5500	101⅜	101½	-⅛	6.54
Volkswagen Intl Fin 7 03	1000	94⅞	95¼	-⅛	7.86
World Bank 0 15	2000	22⅛	23½	-⅛	7.50
World Bank 5⅞ 03	3000	88⅝	89¼	-¼	7.82
World Bank 8¾ 00	1250	110¼	112⅝	-¼	6.36
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	102	102		5.80
Austria 4½ 00	1000	97⅞	97⅞	+⅛	4.99
Council Europe 4¾ 98	250	100	100	+⅛	4.75
Denmark 4¾ 99	1000	97¼	97¼	+⅛	4.92
EIB 6¾ 04	300	107½	107½	+½	5.71
Elec de France 7¼ 06	100	109½	109½		6.03
Finland 7¼ 99	300	107¾	107¾	+¼	5.32
Hyundai Motor Fin 8½ 97	100	106	106		5.90
Iceland 7⅜ 00	100	109	109		5.65
Kobe 6⅜ 01	240	106	106	+⅛	5.25
Ontario 6¼ 03	400				
Quebec Hydro 5 08	100	88¼	88¾	+¼	6.60
SNCF 7 04	450	110	110		5.62
World Bank 5 03	150	98¼	98¾		5.26
World Bank 7 01	600	109	109	+⅛	5.23
YEN STRAIGHTS					
Belgium 5 99	75000	103⅞	104⅛		4.10
EIB 6⅝ 00	100000	111	111¼		4.18
Finland 6¾ 96	50000	104⅛	104⅜		2.71
Inter Amer Dev 7¼ 00	30000	113⅝	113⅞	-⅛	4.29
Italy 3½ 01	300000	93¼	93¾	+⅛	4.80
Japan Dev Bk 5 99	100000	104¼	104½		3.97
Japan Dev Bk 6½ 01	120000	111¼	111⅜		4.49
Nippon Tel Tel 5⅞ 96	50000	104⅝	104⅞		2.89
Norway 5⅞ 97	150000	104⅜	104⅝		3.09
SNCF 6¾ 00	30000	111⅜	111⅝		4.20
Spain 5¾ 02	125000	106⅜	106½		4.67
Sweden 4⅝ 98	150000	102¾	103		3.63
World Bank 5¼ 02	250000	104⅜	104⅞	+⅛	4.56
OTHER STRAIGHTS					
Genfinance Lux 9¼ 99 LFr	1000				
SKB Deut Industbk 8½ 03 LFr	2000				
World Bank 8 96 LFr	1000	101⅞	102⅜	+⅛	6.28
ABN Amro 6⅝ 00 Fl	1000	96⅞	97⅜	-⅛	7.37
Bank Ned Gemeenten 7 03 Fl	1500	95¾	96⅛	-⅛	7.72
Alberta Province 10⅝ 96 C$	500	101⅝	102		8.86
Bell Canada 10⅝ 99 C$	150	102⅛	103⅛	-⅛	9.80
British Columbia 10 96 C$	500	101⅛	101⅜		8.97
EIB 10⅛ 98 C$	130	103¼	104⅛	-⅛	8.91
Elec de France 9¾ 99 C$	275	101¼	101⅝	-⅛	9.37
Gen Elec Capital 10 96 C$	300	101⅛	101⅜		8.86
KfW Int Fin 10 01 C$	400	101⅞	102⅜	-⅛	9.57
Nippon Tel Tel 10¼ 99 C$	200	102⅝	103⅛	-¼	9.50
Ontario 8 03 C$	1500	91½	91¾	-⅛	9.78
Ontario Hydro 10⅞ 99 C$	500	104½	104⅝	-¼	9.60
Oster Kontrollbank 10¼ 99 C$	150	102⅝	103¼	-⅛	9.47
Quebec Prov 10½ 98 C$	200	102⅛	102½	-⅛	9.78
Belgium 9⅛ 96 Ecu	1250	102⅛	102¼		7.02
Council Europe 9 01 Ecu	1100	102⅞	103¼	-⅛	8.51
Credit Lyonnais 9 96 Ecu	125	101½	102¼		7.84
EIB 10 97 Ecu	1125	104¼	104⅜		7.83
Ferro del Stat 10⅛ 98 Ecu	500	104⅜	104⅝		8.35
Italy 10⅝ 00 Ecu	1000	108⅝	109		8.60
Spain 9 96 Ecu	1000	102	102¼	-⅛	7.26
United Kingdom 9⅛ 01 Ecu	2750	103¼	103½	-⅛	8.41
AIDC 10 99 A$	100	98	98⅛	-⅛	10.56
Comm Bk Australia 13¾ 99 A$	100	110⅞	111⅛	-⅛	10.60
EIB 7¾ 99 A$	350	92⅞	93¼	-⅛	9.99
NSW Treasury Zero 0 20 A$	1000	9⅝	10	+⅛	9.51
R & I Bank 7¾ 03 A$	125	83¾	84¼	-⅛	10.79
State Bk NSW 9 02 A$	300	91⅛	91½	-½	10.75
Sth Aust Govt Fin 9 02 A$	150	90⅞	91¼	-⅛	10.85
Unilever Australia 12 98 A$	150	103⅝	104⅛	-⅛	10.59
Western Aust Treas 7¾ 99 A$	100	92¼	92⅝	-⅛	10.52
Abbey Natl Treasury 8 03 £	1000	92⅛	92½	-⅛	9.42
Alliance Leics 11¾ 97 £	100	104⅞	105¼	-¼	8.83
British Land 8⅞ 23 £	150	89	89½	-⅛	10.30
Denmark 6¾ 98 £	800	93½	93¾	-⅛	8.95
EIB 8 03 £	1000	93⅝	93⅞	-⅛	9.11
Halifax 10⅜ 97 £	100	103	103⅜	-¼	8.71
Hanson 10⅜ 97 £	500	102⅞	103⅛	-⅛	9.08
HSBC Holdings 11.69 02 £	153	108⅞	109⅛	-⅛	9.92
Italy 10½ 14 £	400	105¾	106⅛	-⅛	9.81
Japan Dev Bk 7 00 £	200	91⅛	91⅝	-½	8.99
Land Secs 9½ 07 £	200	98½	98⅞	-⅛	9.70
Ontario 11⅛ 01 £	100	107¾	108	-⅛	9.38
Powergen 8⅞ 03 £	250	96¾	97	-⅛	9.46
Severn Trent 11½ 99 £	150	107⅞	108⅛	-⅛	9.25
Tokyo Elec Power 11 01 £	150	107⅞	108⅛	-½	9.27
Abbey National 0 96 NZ$	100	85⅛	85½		9.82
TCNZ Fin 9¼ 02 NZ$	75	100	101		9.23
Credit Local 6 01 FFr	7000	89⅝	89⅞	-¼	8.04
Elec de France 8¾ 22 FFr	3000	101⅞	102⅛	-½	8.57
SNCF 9¼ 97 FFr	4000	103⅝	104	-⅛	7.35

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.48	99.57	6.3750
Belgium 1/16 97 DM	500	100.08	100.18	5.1250
BFCE -0.02 98	350	99.81	99.93	6.2300
Britannia 0.10 96 £	150	99.97	100.04	6.6500
Canada -⅛ 99	2000	99.23	99.29	6.0000
CCCE 0 06 Ecu	200	99.18	99.39	6.7500
Credit Lyonnais ⅛ 00	300	97.37	97.88	6.6875
Denmark -⅛ 96	1000	99.61	99.72	6.0625
Dresdner Finance ⅛ 98 DM	1000	99.99	100.09	5.0938
Ferro del Stat 0.10 97	420	99.93	100.11	6.1000
Finland 0 97	1000	100.00	100.07	6.7500
IMI Bank Intl ¼ 99	500	99.96	100.05	6.1875
Italy ⅛ 98	2000	100.06	100.12	6.6250
LKB Baden-Wuert Fin -⅛ 98	1000	99.38	99.49	5.8750
Lloyds Bank Perp S 0.10	600	83.17	84.29	5.4125
Malaysia 1/16 05	650	99.32	99.55	6.9375
New Zealand -⅛ 99	1000	99.74	99.82	6.3750
[illegible] USD 500m 1/16 99	500	99.57	99.66	6.4375
Ontario 0 99	2000	99.47	99.55	5.8125
Renfe 0 98	500	99.40	99.57	6.0000
Societe Generale 0 96	300	99.67	99.88	5.3750
Staatsbank Berlin -0.05 98 DM	5000	99.94	99.99	5.1463
State Bk Victoria 0.05 99	125	99.90	100.08	6.9875
Sweden 0 98	1500	99.83	99.89	6.0625
Sweden -⅛ 01	2000	98.75	98.82	6.1250
United Kingdom -⅛ 96	4000	99.91	99.94	6.2500

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	94⅞	95⅞	+65.44
Chubb Capital 6 98	250	86	103⅞	104⅛	+11.91
Gold Kalgoorlie 7½ 00	65	1.0554	91⅞	92⅞	+45.39
Hanson 9½ 06 £	500	2.5875	103½	104⅞	+9.09
Hanson America 2.39 01	420	30.9755	73⅞	74⅞	+25.86
Hong Kong Land 4 01	410	31.05	74⅞	75⅝	-25.06
Land Secs 6¾ 02 £	84	6.72	93½	95⅛	+7.86
Lasmo 7¾ 05 £	90	5.64	84⅞	86¼	-
Mitsui Bank 2⅝ 03	200	2332.6	75¼	77¼	+10.32
Mount Isa Fin 6½ 97	100	2.283	94⅞	95⅞	+55.41
Natl Power 6¼ 08 £	250	4.33	112½	113½	+1.91
Ogden 6 02	85	39.077	81¾	83	+69.76
Pennzoil 4¾ 03	500	58.8097	89⅞	90⅛	+15.62
Sumitomo Bank 3½ 04	300	3606.9	74⅞	75⅞	+45.11
Sun Alliance 7¼ 08 £	155	3.9	93	94	+14.42
Tesco Capital 9 05 £	200	2.51	114⅞	115⅞	+15.29
Texas Instruments 2¾ 02	300	82⅞	98	99⅛	+4.29

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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CURRENCIES AND MONEY

MARKETS REPORT

Strike fears boost D-Mark across the board

The D-Mark gained ground across the board yesterday on market fears that trade union militancy might lead to an early tightening of monetary policy, *writes Philip Gawith.*

The IG Metall engineering union is expected today to ballot its members on strike action. Markets believe that a strike, or potentially inflationary wage settlement, will encourage the Bundesbank to raise German interest rates earlier than it might otherwise have done. This would lend support to the D-Mark.

It finished in London at SKr4.882 against the Swedish krona, from SKr4.863, and at L1,061 against the lira, from L1,059.

The other story occupying markets was the UK's January producer price inflation data. Output prices were up by 3.4 per cent, over the year, and input prices, seasonally adjusted, by 11.6 per cent.

Both were well above market expectations, and prompted a sharp deterioration in interest rate sentiment. The June short sterling contract closed 13 basis points lower at 92.14.

The National Bank of Hungary announced a two per cent devaluation in the forint, effective today. It forms part of a strategy to devalue the forint by about 15 per cent this year.

The dollar finished the day slightly weaker at DM1.5184, from DM1.5241. At one point it touched the key support level of DM1.5150, but the market showed little appetite to drive it through this level.

Sterling had a steady day, with the exchange rate index unchanged at 87.5 throughout the day.

■ Analysts said the slightly incongruous spectacle of the D-Mark strengthening ahead of a likely bout of industrial action reflected the prestige of the Bundesbank.

Mr Malcolm Barr, economist at Chemical Bank in London, commented: "The D-Mark still always manages to leverage off the Bundesbank in situations like this."

"The market constantly has in its mind that the Bundesbank will tighten policy if a wage settlement is in any way inflationary."

Mr Jeremy Hawkins, economic analyst at the Bank of America in London, said the market appeared to be expecting some sort of strike. The Bundesbank, however, has repeatedly made clear that the size of wage settlements agreed would be one of the key issues in determining the outlook for monetary policy.

He said a cut in German interest rates was "extremely unlikely" in the event of a wage settlement of 3½ per cent, or above.

Portugal

Inflation, annual % change in CPI

Source: Datastream

■ The Italian lira touched a new record of L1,066 against the D-Mark, during Asian trading, before recovering to close slightly firmer in London.

Mr Giorgio Radaelli, economist at Lehman brothers in London, said the current levels of the lira reflected a mix of economic and political concerns. On the economic front, he said there might be some disappointment about an apparent delay in the promulgation of a mini-budget. On the other hand, however, it looked likely to be more fiscally restrictive than markets had originally anticipated.

Politically, the fragmentation over the weekend of the Northern league served as a further reminder of the fragile state of Italian politics.

Mr Hawkins said the market was also concerned about the upcoming government refunding auctions. The government will have to place a lot of paper, and Mr Hawkins said countries with large deficits and borrowing requirements were currently being penalised by markets.

He said weak currencies like the lira appeared to need good news just to stand still; "no news" was a reason for the D-Mark to strengthen further.

■ After the UK ppi figures, analysts said the market was clearly feeling that the interest rate cycle had further to run, assuming the figures were correct.

Mr Richard Phillips, analyst at brokers GNI, commented: "The market is running scared. It is reacting badly to any data at the moment."

Cash markets were much calmer than the futures, with three month LIBOR unchanged at 6$\frac{11}{16}$ per cent. Rates on longer dated money, however, rose more, with one year LIBOR rising to 8 per cent from 7$\frac{13}{16}$ per cent.

In its daily operations the Bank of England provided UK money markets with £200m assistance at the established rate of 6⅜ per cent, and £220m late assistance.

■ Pound in New York

Feb 13	—Latest—	– Prev. close –
£ spot	1.5630	1.5625
1 mth	1.5623	1.5619
3 mth	1.5612	1.5608
1 yr	1.5540	1.5548

■ OTHER CURRENCIES

Feb 13	£	$
Hungary	177.858 - 177.905	113.650 - 113.750
Iran	2721.00 - 2724.00	1748.00 - 1750.00
Kuwait	0.4669 - 0.4673	0.2987 - 0.2988
Poland	3.8197 - 3.8248	2.2150 - 2.2200
Russia	6576.50 - 6581.20	4208.00 - 4209.00
U.A.E.	5.7401 - 5.7446	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Feb 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.7258	+0.0003	176 - 340	16.7706	16.6960	16.7133	0.9	16.6796	1.1	-	-	105.6
Belgium	(BFr)	48.9095	-0.0637	813 - 378	48.9550	48.8000	48.8595	1.2	48.7445	1.3	48.2845	1.3	107.3
Denmark	(DKr)	9.3527	-0.0145	479 - 574	9.3842	9.3429	9.3469	0.7	9.3855	0.7	9.298	0.6	108.6
Finland	(FM)	7.2952	-0.0204	881 - 022	7.3580	7.2610	-	-	-	-	-	-	84.6
France	(FFr)	8.2261	-0.0081	224 - 298	8.2438	8.2078	8.219	1.0	8.2061	1.0	8.1383	1.1	107.5
Germany	(DM)	2.3741	-0.0047	731 - 751	2.3774	2.3712	2.3712	1.5	2.3644	1.6	2.3299	1.9	109.4
Greece	(Dr)	372.293	-0.27	120 - 467	373.534	371.213	-	-	-	-	-	-	68.8
Ireland	(I£)	1.0058	-0.0012	051 - 065	1.0073	1.0031	1.0055	0.4	1.0052	0.2	1.0038	0.2	97.2
Italy	(L)	2520.41	+1.28	910 - 172	2525.90	2519.00	2523.91	-1.7	2533.51	-2.1	2577.98	-2.3	73.2
Luxembourg	(LFr)	48.9095	-0.0637	813 - 378	48.9580	48.8000	48.8596	1.2	48.7445	1.3	48.2845	1.3	107.3
Netherlands	(Fl)	2.6621	-0.0041	606 - 635	2.6645	2.6583	2.6589	1.4	2.6514	1.6	2.616	1.7	107.3
Norway	(NKr)	10.4019	-0.0066	968 - 069	10.4114	10.3435	10.4007	0.1	10.3988	0.1	10.3904	0.1	96.2
Portugal	(Es)	245.141	-0.217	000 - 282	247.036	244.880	245.741	-2.9	247.391	-3.7	-	-	95.6
Spain	(Pta)	204.918	+0.102	826 - 009	205.147	204.376	205.218	-1.8	206.018	-2.1	209.673	-2.4	79.3
Sweden	(SKr)	11.5875	+0.0151	767 - 983	11.6147	11.5492	11.598	-1.2	11.625	-1.3	11.7355	-1.3	81.0
Switzerland	(SFr)	2.0042	-0.0047	032 - 052	2.0066	1.9992	1.9996	2.6	1.9908	2.8	1.9446	3.0	108.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.5
Ecu	-	1.2599	-0.0011	590 - 607	1.2613	1.2584	1.2592	0.6	1.258	0.6	1.2521	0.6	-
SDR†	-	0.942274	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5635	+0.0028	630 - 640	1.5652	1.5623	-	-	-	-	-	-	-
Brazil	(Cr)	1.3025	-0.0016	006 - 044	1.3055	1.3001	-	-	-	-	-	-	-
Canada	(C$)	2.1934	+0.005	924 - 943	2.1960	2.1902	2.1958	-1.3	2.201	-1.4	2.214	-0.9	81.8
Mexico	(New Peso)	8.6936	-0.0547	601 - 271	8.7274	8.6250	-	-	-	-	-	-	-
USA	($)	1.5636	+0.0028	632 - 640	1.5655	1.5625	1.563	0.5	1.5619	0.4	1.5555	0.5	95.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0993	+0.0061	980 - 005	2.1010	2.0960	2.1013	-1.1	2.1067	-1.4	2.1387	-1.9	86.2
Hong Kong	(HK$)	12.0877	+0.0191	838 - 916	12.1029	12.0617	12.0867	0.1	12.1132	-0.8	12.013	0.6	-
India	(Rs)	49.0502	+0.082	337 - 666	49.1070	49.0260	-	-	-	-	-	-	-
Israel	(Shk)	4.7132	+0.0011	080 - 183	4.7187	4.7077	-	-	-	-	-	-	-
Japan	(Y)	154.124	-0.278	038 - 210	154.560	154.000	153.594	4.1	152.439	4.4	146.564	4.9	149.3
Malaysia	(M$)	3.9848	+0.0071	830 - 866	3.9889	3.9609	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4668	+0.0059	652 - 684	2.4691	2.4650	2.4701	-1.6	2.4803	-2.2	2.5138	-1.9	98.3
Philipines	(Peso)	38.9806	+0.2727	924 - 687	39.0693	38.8798	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8638	+0.0103	620 - 656	5.8706	5.8600	-	-	-	-	-	-	-
Singapore	(S$)	2.2703	+0.0032	693 - 712	2.2719	2.2679	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5398	-0.0022	376 - 420	5.5482	5.5354	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.1606	-0.0358	434 - 778	6.2103	6.1430	-	-	-	-	-	-	-
South Korea	(Won)	1240.09	-0.36	962 - 056	1243.94	1238.21	-	-	-	-	-	-	-
Taiwan	(T$)	41.2079	+0.1393	895 - 263	41.2501	41.1242	-	-	-	-	-	-	-
Thailand	(Bt)	39.1526	+0.0389	269 - 782	39.1870	39.1250	-	-	-	-	-	-	-

†SDR rates for Feb 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.6970	-0.019	945 - 995	10.7005	10.6715	10.6985	0.8	10.6697	1.0	10.537	1.5	105.3
Belgium	(BFr)	31.2800	-0.097	700 - 900	31.2930	31.2150	31.2575	0.9	31.205	1.0	30.985	0.9	107.1
Denmark	(DKr)	5.9815	-0.02	800 - 830	5.9900	5.9720	5.9797	0.4	5.9765	0.3	5.9665	0.3	105.8
Finland	(FM)	4.6656	-0.0215	623 - 689	4.7065	4.6443	4.6629	0.7	4.6588	0.6	4.6481	0.4	83.8
France	(FFr)	5.2610	-0.0153	600 - 620	5.2750	5.2495	5.2584	0.6	5.2544	0.5	5.2336	0.5	106.8
Germany	(DM)	1.5184	-0.0057	181 - 186	1.5208	1.5180	1.5171	1.0	1.5139	1.2	1.4979	1.4	108.6
Greece	(Dr)	238.100	-0.6	050 - 150	239.080	237.500	241.1	-15.1	245.85	-13.0	258.25	-8.5	68.2
Ireland	(I£)	1.5546	+0.0045	539 - 552	1.5582	1.5513	1.5548	-0.1	1.5544	0.1	1.5538	0.1	-
Italy	(L)	1611.93	-2.07	150 - 235	1615.75	1610.75	1614.68	-2.0	1621.73	-2.4	1653.93	-2.6	73.0
Luxembourg	(LFr)	31.2800	-0.097	700 - 900	31.2930	31.2150	31.2575	0.9	31.205	1.0	30.985	0.9	107.1
Netherlands	(Fl)	1.7025	-0.0057	020 - 030	1.7045	1.6995	1.701	1.0	1.6974	1.2	1.6787	1.4	106.8
Norway	(NKr)	6.6525	-0.0175	510 - 540	6.6620	6.6177	6.6482	0.8	6.642	0.6	6.6	0.8	97.2
Portugal	(Es)	156.780	-0.42	730 - 830	156.910	156.490	157.165	-2.9	158.185	-3.6	162.695	-3.7	95.6
Spain	(Pta)	131.055	-0.17	030 - 080	131.220	130.700	131.285	-2.1	131.875	-2.5	134.65	-2.7	79.1
Sweden	(SKr)	7.4108	-0.0038	058 - 158	7.4290	7.3882	7.4208	-1.6	7.4418	-1.7	7.5298	-1.6	80.6
Switzerland	(SFr)	1.2818	-0.0053	815 - 821	1.2838	1.2768	1.2792	2.4	1.2743	2.3	1.2481	2.6	107.8
UK	(£)	1.5636	+0.0028	632 - 640	1.5655	1.5625	1.563	0.5	1.5619	0.4	1.5555	0.5	86.9
Ecu	-	1.2411	+0.0033	406 - 416	1.2432	1.2382	1.2413	-0.2	1.2418	-0.2	1.2447	-0.3	-
SDR†	-	1.46665	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(Cr)	0.8330	-0.0025	320 - 340	0.8340	0.8320	-	-	-	-	-	-	-
Canada	(C$)	1.4028	+0.0007	025 - 030	1.4041	1.4013	1.4047	-1.7	1.409	-1.8	1.4205	-1.3	80.9
Mexico	(New Peso)	5.5600	-0.045	400 - 800	5.5900	5.5400	5.5608	-0.2	5.5612	-0.1	5.5626	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3425	+0.0015	421 - 430	1.3430	1.3421	1.3443	-1.7	1.3469	-1.9	1.3737	-2.3	87.3
Hong Kong	(HK$)	7.7307	-0.0016	302 - 312	7.7320	7.7300	7.7318	-0.2	7.7329	-0.1	7.7377	-0.1	-
India	(Rs)	31.3700	-0.0038	675 - 725	31.3725	31.3675	31.45	-3.1	31.695	-4.1	-	-	-
Israel	(Shk)	3.0143	-0.0048	118 - 168	3.0190	3.0111	-	-	-	-	-	-	-
Japan	(Y)	98.5700	-0.355	400 - 000	98.8600	98.5200	98.28	3.5	97.58	4.0	94.045	4.6	149.7
Malaysia	(M$)	2.5485	-	480 - 490	2.5490	2.5477	2.5465	0.8	2.542	1.0	2.526	0.9	-
New Zealand	(NZ$)	1.5775	+0.0009	770 - 783	1.5789	1.5770	1.5802	-2.1	1.5878	-2.8	1.6145	-2.3	-
Philipines	(Peso)	24.9300	+0.13	800 - 800	24.9800	24.8800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-0.0001	500 - 504	3.7505	3.7500	3.7528	-0.8	3.7581	-0.6	3.7677	-0.5	-
Singapore	(S$)	1.4520	-0.0005	517 - 522	1.4522	1.4510	1.447	4.1	1.4417	2.8	1.4183	2.3	-
S Africa (Com.)	(R)	3.5430	-0.0078	425 - 435	3.5445	3.5405	3.558	-5.1	3.589	-5.2	3.745	-5.7	-
S Africa (Fin.)	(R)	3.9400	-0.08	300 - 500	3.9700	3.9300	3.9675	-8.4	4.0175	-7.9	4.25	-7.9	-
South Korea	(Won)	793.100	-1.85	000 - 200	794.600	792.100	796.1	-4.5	799.6	-3.3	818.1	-3.2	-
Taiwan	(T$)	26.3545	+0.042	495 - 595	26.3605	26.3330	26.3745	-0.9	26.4145	-0.9	-	-	-
Thailand	(Bt)	25.0400	-0.02	300 - 500	25.0530	25.0300	25.0525	-0.6	25.0665	-0.4	25.0925	-0.2	-

†SDR rate for Feb 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 10. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅜	5¾	6¼	7.40	4.50	-
week ago	4$\frac{11}{16}$	5⅛	5¼	5¾	6⅜	7.40	4.50	-
France	4$\frac{13}{16}$	5½	5⅝	6⅛	6⅝	5.00	-	6.40
week ago	5⅛	5½	5⅝	6⅛	6⅝	5.00	-	6.40
Germany	4.93	4.95	5.06	5.20	5.65	6.00	4.50	4.85
week ago	4.93	4.95	5.05	5.25	5.70	6.00	4.50	4.85
Ireland	5⅛	5⅝	6⅛	6⅝	7⅜	-	-	6.25
week ago	5⅛	5⅝	6¼	6$\frac{13}{16}$	7⅜	-	-	6.25
Italy	8⅝	8¼	8⅞	9⅜	10¼	-	7.50	8.20
week ago	8⅜	8¼	8⅝	9¼	10	-	7.50	8.20
Netherlands	4.84	5.00	5.09	5.28	5.74	-	5.25	-
week ago	4.84	5.00	5.10	5.30	5.79	-	5.25	-
Switzerland	3⅛	3$\frac{11}{16}$	3⅞	4⅛	4½	6.625	3.50	-
week ago	3¾	3⅝	3⅞	4⅛	4½	6.625	3.50	-
US	6	6¼	6⅝	6⅝	7¼	-	5.25	-
week ago	6	6¼	6¼	6⅝	7¼	-	5.25	-
Japan	2¼	2⅛	2¼	2⅜	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6⅝	6¾	7¼	-	-	-
week ago	-	6⅛	6¾	6⅝	7¼	-	-	-
US Dollar CDs	-	5.95	6.10	6.40	7.04	-	-	-
week ago	-	5.95	6.02	6.26	6.85	-	-	-
SDR Linked Ds	-	4.625	4.812	5.125	5.687	-	-	-
week ago	-	4.625	4.812	5.125	5.687	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	5⅛ - 5	5¼ - 5⅛	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	6⅜ - 6¼
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6¾ - 6⅝	7$\frac{7}{16}$ - 7$\frac{5}{16}$
D-Mark	5 - 4⅞	5 - 4⅞	5 - 4⅞	5$\frac{1}{16}$ - 4$\frac{15}{16}$	5¼ - 5⅛	5$\frac{11}{16}$ - 5$\frac{9}{16}$
Dutch Guilder	4$\frac{15}{16}$ - 4$\frac{13}{16}$	4$\frac{15}{16}$ - 4$\frac{13}{16}$	5 - 4$\frac{15}{16}$	5$\frac{1}{16}$ - 5	5¼ - 5$\frac{3}{16}$	5¾ - 5⅝
French Franc	5⅜ - 5¼	5$\frac{7}{16}$ - 5$\frac{5}{16}$	5½ - 5⅜	5¾ - 5⅝	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{9}{16}$ - 6$\frac{7}{16}$
Portuguese Esc.	8¾ - 8½	8⅞ - 8¾	9⅛ - 9	9⅞ - 9⅝	10⅜ - 10⅛	11 - 10⅞
Spanish Peseta	8⅛ - 8$\frac{1}{16}$	8$\frac{3}{16}$ - 8$\frac{1}{16}$	8$\frac{5}{16}$ - 8$\frac{3}{16}$	8$\frac{13}{16}$ - 8$\frac{11}{16}$	9$\frac{5}{16}$ - 9$\frac{3}{16}$	10$\frac{1}{16}$ - 9$\frac{15}{16}$
Sterling	6¾ - 6½	6$\frac{9}{16}$ - 6$\frac{7}{16}$	6⅝ - 6$\frac{1}{2}$	6$\frac{13}{16}$ - 6¾	7¼ - 7⅛	7$\frac{15}{16}$ - 7$\frac{13}{16}$
Swiss Franc	3⅞ - 3¾	3⅞ - 3¾	3⅝ - 3½	3⅞ - 3¾	4⅛ - 4	4$\frac{7}{16}$ - 4$\frac{5}{16}$
Can. Dollar	7⅝ - 7⅜	7¾ - 7½	7$\frac{13}{16}$ - 7$\frac{11}{16}$	8$\frac{1}{16}$ - 7$\frac{15}{16}$	8¼ - 8⅛	8½ - 8⅜
US Dollar	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6⅛ - 6	6¼ - 6⅛	6⅝ - 6½	7$\frac{3}{16}$ - 7$\frac{1}{16}$
Italian Lira	9 - 7½	8$\frac{5}{16}$ - 8$\frac{3}{16}$	8$\frac{7}{16}$ - 8$\frac{5}{16}$	8⅞ - 8¾	9⅜ - 9¼	10⅛ - 10
Yen	2¼ - 2$\frac{1}{16}$	2¼ - 2$\frac{1}{16}$	2¼ - 2⅛	2$\frac{5}{16}$ - 2¼	2$\frac{7}{16}$ - 2¼	2½ - 2$\frac{7}{16}$
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅝ - 3½	4$\frac{5}{16}$ - 4$\frac{3}{16}$	4$\frac{9}{16}$ - 4$\frac{7}{16}$	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.05	94.04	-0.03	94.07	94.01	11,164	47,996
Jun	93.56	93.54	-0.05	93.59	93.50	18,852	42,809
Sep	93.27	93.21	-0.07	93.27	93.18	4,522	35,789
Dec	92.93	92.93	-0.07	92.96	92.90	3,026	18,088

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.12	16.82	4.854	2.067	5152	5.443	21.26	501.1	418.9	23.70	4.097	2.045	4.484	3.198	315.1	2.576
Denmark	(DKr)	52.29	10	8.795	2.538	1.076	2694	2.846	11.12	262.1	219.1	12.39	2.143	1.069	2.345	1.672	164.8	1.347
France	(FFr)	59.46	11.37	10	2.886	1.223	3063	3.236	12.64	298.0	249.1	14.09	2.436	1.216	2.666	1.901	187.3	1.532
Germany	(DM)	20.60	3.940	3.465	1	0.424	1061	1.121	4.381	103.2	86.31	4.882	0.844	0.421	0.924	0.659	64.91	0.531
Ireland	(I£)	48.62	9.297	8.177	2.360	1	2505	2.646	10.34	243.6	203.7	11.52	1.992	0.994	2.180	1.555	153.2	1.252
Italy	(L)	1.941	0.371	0.326	0.094	0.040	100.	0.106	0.413	9.728	8.131	0.460	0.080	0.040	0.087	0.062	6.115	0.050
Netherlands	(Fl)	18.37	3.514	3.090	0.892	0.378	946.7	1	3.907	92.07	76.97	4.354	0.753	0.376	0.824	0.588	57.89	0.473
Norway	(NKr)	47.03	8.993	7.910	2.283	0.967	2423	2.560	10	235.7	197.0	11.14	1.927	0.962	2.109	1.504	148.2	1.212
Portugal	(Es)	19.96	3.816	3.356	0.969	0.410	1028	1.086	4.243	100.	83.60	4.729	0.818	0.408	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Pta)	23.87	4.565	4.015	1.159	0.491	1230	1.299	5.076	119.6	100.	5.656	0.978	0.488	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(SKr)	42.20	8.070	7.097	2.048	0.868	2174	2.297	8.973	211.5	176.8	10	1.729	0.863	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(SFr)	24.41	4.667	4.105	1.185	0.502	1257	1.328	5.190	122.3	102.2	5.783	1	0.499	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	48.91	9.353	8.226	2.374	1.006	2520	2.662	10.40	245.1	204.9	11.59	2.004	1	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	22.30	4.265	3.751	1.083	0.459	1149	1.214	4.742	111.8	93.43	5.285	0.914	0.456	[illegible]	[illegible]	[illegible]	[illegible]
US	($)	31.27	5.980	5.260	1.518	0.643	1611	1.702	6.650	156.7	131.0	7.410	1.281	0.639	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	31.74	6.069	5.338	1.541	0.653	1635	1.727	6.749	159.1	133.0	7.521	1.300	0.649	[illegible]	[illegible]	[illegible]	[illegible]
Ecu		38.82	7.423	6.529	1.884	0.798	2000	2.113	8.254	194.5	162.6	9.198	1.590	0.794	[illegible]	[illegible]	[illegible]	[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6594	0.6592	+0.0007	0.6602	0.6587	42,828	82,452
Jun	0.6615	0.6616	+0.0002	0.6625	0.6610	587	3,690
Sep	-	0.6650	-	0.6650	-	102	753

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0156	1.0165	+0.0022	1.0182	[illegible]	[illegible]	[illegible]
Jun	1.0290	1.0278	+0.0022	1.0295	[illegible]	[illegible]	[illegible]
Sep	1.0390	1.0409	-	1.0409	[illegible]	[illegible]	[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7822	0.7824	+0.0012	0.7837	0.7816	29,425	40,130
Jun	0.7885	0.7871	+0.0010	0.7886	0.7870	229	1,295
Sep	-	0.7920	-	0.7920	-	18	188

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5616	1.5636	+0.0038	1.5648	[illegible]	[illegible]	[illegible]
Jun	1.5630	1.5630	+0.0048	1.5640	[illegible]	[illegible]	[illegible]
Sep	-	1.5600	-	1.5600	[illegible]	[illegible]	[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

[illegible]

CONTRACTS & TENDERS

LONDON SHARE SERVICE

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29		£34	£17¾	1,882	2.5	21.2
Barlow	♣	595½	+½	695¼	£3½	1,117	1.8	19.7
Gold Fds Prop R		144xd		152	75	14.7	7.5	♦
MK Props		85		98	85	3.42	14.2	-
SASOL	♥	479	-7	582	280	2,763	2.9	-
SA Brews	†	£14⅝		£18¾	£10	4,041	2.0	22.5
Tiger Oats		725		838	538	1,090	2.1	18.9
Tongaat-Hulett	†h	782		*782	356¼	694.5	1.9	22.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

Lazard Fund Mngrs - Contd.

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Producer price figures take toll of share prices

By Terry Byland, UK Stock Market Editor

A trading week which is sewn with potential minefields in the form of economic statistics opened on a downward note for UK equities yesterday. News of unexpectedly sharp rises in January producer prices cut into government bonds and drove the FT-SE 100-share Index back below the 3,100 figure regained only last week. With Wall Street also looking cautious ahead of publication today of US retail sales figures, London closed virtually at the low of the day, the FT-SE 100 losing 28.8 points at 3,061.1.

Developments in individual stocks also tended towards the negative for the market. There was further selling of S.G. Warburg as the resignation of the chief executive was accompanied by a warning on the implications of difficult market conditions for investment banking profits.

Today the latest survey of the UK distributive trades from the Confederation of British Industry will provide a curtain-raiser for the heavy list of economic statistics due on Wednesday on both sides of the Atlantic.

On the home front, Wednesday brings the latest retail price index, as well as statistics on unit wage costs, average earnings and unemployment. The stock market hopes to see evidence that economic growth is moderating and that inflation remains low.

The same session will bring US data on industrial production and plant capacity, offering the latest evidence of influences on Federal Reserve interest rate policies.

Traders were adamant that selling pressure had not been heavy in London yesterday. "A trickle rather than a rush," said one. The merchant banking sector, with trading statements due this week, was particularly nervous, especially after reports that a UK house had suffered fresh losses in gilts yesterday morning.

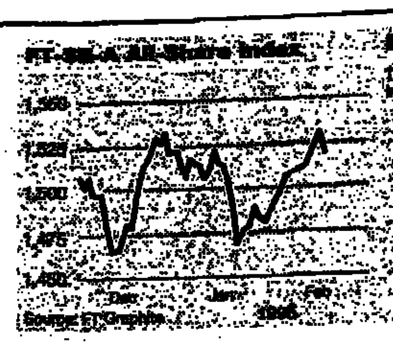
Interest was largely focused on the Footsie-listed stocks, and the fall in the FT-SE Mid 250 Index, which takes in an additional range of smaller stocks, was held to 8.8 points for a final reading of 3,445.3.

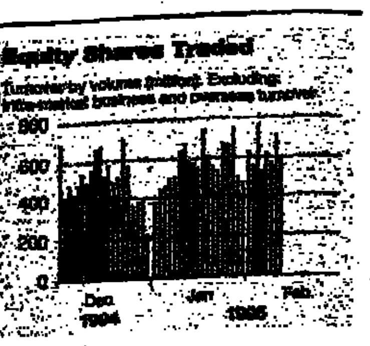
Seaq volume moderated from recent levels, turning in a total of 519.1m shares yesterday compared with 583.6m on Friday; the pre-weekend session turned in a retail worth of £1.29bn, still well up to bull market levels although taking in a substantial degree of speculative interest.

Speculative activity cooled off a little yesterday as the market continued to wait for news on whether the Trafalgar House bid for Northern Electric will go before the UK Monopolies and Mergers Commission – a decision with important implications for the rest of the regional electricity companies, several of which are thought to be potential bid targets.

Market strategists will watch the market's performance this week with particular interest, to see if the batch of economic statistics bears out the more confident view on interest rates which has sparked the general recovery in equities.

Some feared that the January producer price figures had revived the dangers of a further rise in base rates.





Indices and ratios

FT-SE 100	3061.1	-28.8
FT-SE Mid 250	3445.3	-8.8
FT-SE-A 350	1537.5	-12.0
FT-SE-A All-Share	1519.85	-11.00
FT-SE-A All-Share yield	4.05	(4.02)
FT Ordinary Index	2344.4	-20.4
FT-SE-A Non Fins p/e	17.89	(18.01)
FT-SE 100 Fut Mar	3082.0	-41.0
10 yr Gilt yield	8.76	(8.85)
Long gilt/equity yld ratio:	2.18	(2.16)

Best performing sectors

1. Other Ser & Bus .... +0.3
2. Building & Const .... +0.2
3. Health Care .... +0.1
4. Breweries .... +0.1
5. FT-SE SmallCap ex ITs .... +0.0

Worst performing sectors

1. Pharmaceuticals .... -1.8
2. Extractive Inds .... -1.5
3. Telecommunications .... -1.5
4. Tobacco .... -1.5
5. Diversified Inds .... -1.3

Warburg slide resumed

The resignation of Lord Cairns as chief executive, together with a fresh profits warning from the boardroom, saw shares in S.G. Warburg, the UK merchant bank, retreat sharply yesterday.

Analysts downgraded 1995 profits forecasts for Warburg in the wake of the warning issued by Sir David Scholey, who assumed Lord Cairns' role as chief executive. Current year estimates were reduced from around £160m to £130m in the wake of his warning that market conditions remained difficult.

Dealers were dismayed by the latest news. "Warburg has a big fundamental problem; cost overruns and low morale. But its real problem is how to reduce costs without cutting staff and damaging morale even further," commented one specialist.

Some marketmakers adopted an extremely bearish view of the shares, talking of a potential slide to 600p. "The market is not paying much attention to the bid stories and only sees the bank's assets walking out of the door," said one.

Others noted, however, that there was no flood of selling, just a constant trickle. It was also pointed out that the big investment funds, many of which were not holders of Wellcome shares prior to the Glaxo bid and had badly underperformed the market so far this year, would be loathe to part with any of the speculative bid targets in the FT-SE 100 list. Warburg shares dropped to 693p before closing a net 20 lower at 706p after turnover of 3.6m.

Glaxo tremors

Shares in Glaxo, the pharmaceuticals group wanting to pay more than £9bn for rival Wellcome, fell sharply as the ex-dividend adjustment was exacerbated by bid concerns.

More than half of the 21 fall to 641p represented the impact of the dividend. But a Sunday newspaper story suggesting that the Glaxo bid faces a challenge from the trade unions representing Wellcome and Glaxo employees additionally depressed the share price.

It later emerged that Pharma Vision 2000, the Swiss pharmaceutical shares investment company, was thinking of selling its stake in Glaxo because it is unhappy with the proposed takeover. Bid uncertainty, combined with the broad market weakness, also hit Wellcome, which receded 11 to 1014p.

Recs pressured

The regional electricity companies (recs) came under pressure as the market picked up hints that the Trafalgar House bid for Northern Electric may be left in limbo if Mr Michael Heseltine, president of the Department of Trade and Industry, fails to reach a decision on whether to refer the bid to the Monopolies and Mergers Commission. Mr Heseltine has until Friday week to reach a decision but has to bear in mind that a referral could damage sentiment in the flotation of the government's remaining 40 per cent stakes in National Power and PowerGen.

Mr Heseltine is empowered to suspend the bid indefinitely and there are suspicions that this could happen. If so, share prices of all the recs could tumble.

Northern slipped 5 to 975p, while other perceived targets to fall included Southern, 9 off at 738p and South Wales, 6 cheaper at 804p. Seeboard, which has been bolstered by talk of a bid from Electricité de France, held at 435p.

Among steel and engineering stocks, British Steel was a feature as turnover jumped to a hefty 34m shares by the market's close.

S.G. Warburg was said to have acted for the day's big seller and word soon went round the market that a block of 15m was on offer. The identity of the seller was not known, although there was a suggestion that it could be a US institution. US selling has been noticeable in recent sessions.

Dealers said most of the stock had been sold on by the close of the session, with most of it transacted at 151p, significantly below the prevailing market price. The shares finished 1¼ lower at 153½p.

Speculation that British Steel is to buy GKN out of their United Engineering Steels joint venture continued to circulate. GKN relinquished 5 at 577½p.

Mirror Group Newspapers benefited from relief that its pension fund dispute has been settled. The decision will free more than £100m of provisions and should give a £10m boost to the next set of profits.

The shares jumped 12p at one stage, with further help from news that the price of the Sun newspaper is to rise by a penny, a sign that the long running newspaper price war could be easing.

On the downside there were concerns that the company was poised to make a big financial commitment to the new fifth television channel. Although some analysts said it could only own up to 5 per cent of the new franchise because of monopoly considerations, the shares gained just 1½ at 138p.

Life assurance stocks drifted as the market reflected on moves by DirectLine, the hugely successful Royal Bank of Scotland subsidiary, to start writing life business as from Thursday. RBOS edged forward 2 to 421p.

ACT raced up 30½ to 107p after the agreed bid from Misys. Celltech, the biotechnology group, gained 5 at 269p after announcing that it is to receive royalties for one of its treatments which was launched by Eli Lilly, of the US, last week. Some analysts suggest Celltech could receive around $5m a year.

Among internationally traded stocks, ICI fell 14 to 734p following heavy selling in the US on Friday. Reuters shed 6 to 447p ahead of figures due today. Hanson, also reporting today, slipped 3 to 242½p.

United Biscuits was the day's worst performer in the FT-SE 100, falling 19 to 346p as bid rumours faded.

Hotels group Forte gave up 4½ at 237½p after several brokers turned negative.

NatWest Securities advised investors to reduce holdings, saying last week's trading update from the company "contained few surprises". It added: "Our concerns – which centre on the lack of cash generation, the rating and the underdepreciation of assets – are unaltered. This is an expensive stock." Goldman Sachs downgraded its rating on the stock. However, analysts at the investment bank raised profits estimates for 1996 by £20m to £180m.

Tibbett & Britten, which had been trading at a premium to the market, fell 40 to 613p after institutions sold on concern that margin pressure would affect earnings more than expected.

Property group Burford rose 3 to 90p as the market appreciated news that Sega, the Japanese electronic company, is to build a virtual reality theme park at the Trocadero, the central London building owned by Burford. Mr Graham Stanley at Goldman Sachs welcomed the announcement, saying: "Burford could be the one company that makes this building a success."

Saatchi & Saatchi declined 5 to 107p on news that it had been ordered to pay costs estimated at between £50,000 and £100,000 after losing a court case against founder and deposed chairman Mr Maurice Saatchi and three other former executives.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Feb 13	Feb 10	Feb 9	Feb 8	Feb 7	Yr ago	*High	*Low
Ordinary Share	2344.4	2364.8	2358.2	2337.7	2333.0	2587.1	2713.6	2238.3
Ord. div. yield	4.48	4.44	4.46	4.50	4.51	3.58	4.66	3.43
Earn. yld. % full	6.63	6.57	6.60	6.66	6.65	3.89	6.84	3.82
P/E ratio net	17.89	18.04	17.98	17.82	17.85	32.67	33.43	16.91
P/E ratio nil	17.01	17.16	17.10	16.95	16.98	30.13	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2363.4	2364.6	2353.5	2349.7	2348.4	2345.9	2346.2	2348.2	2343.6	2365.4	2343.6

	Feb 13	Feb 10	Feb 9	Feb 8	Feb 7	Yr ago
SEAQ bargains	22,282	23,616	24,582	19,972	23,992	34,404
Equity turnover (£m)†	-	1286.0	1681.0	1313.6	1633.1	1452.1
Equity bargains†	-	31,442	31,934	27,736	31,593	39,605
Shares traded (m)†	-	598.5	713.4	574.4	629.5	571.9

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	357	Total Highs		Total contracts	35,572
Total Falls	770	Total Lows		Calls	19,566
Same	1709			Puts	16,006

Feb. 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3114.0	3082.0	-41.0	3120.0	3076.0	14184	61963
Jun	3105.5	3091.5	-41.0	3105.5	3093.5	1300	5223
Sep	-	3115.0	-41.0	-	-	0	122

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3450.0	3440.0	-22.5	3450.0	3436.0	53	4008

■ FT-SE 100 INDEX OPTION (LIFFE) (*3080) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Feb	182	1	133	1	85	2½	39	8½	10½	30	1	78	1	128	1	178
Mar	189½	9	145½	14½	104	23½	69	38	41½	61	22½	93	11	133½	4½	181
Apr	198½	21½	159	32½	122	45½	93	65½	66	88½	44	116½	28½	151½	17½	191
May	215½	31½	179½	44½	145	60	115½	80	89	103½	67½	132	48½	164½	33½	200½
Jun†	229½	42			169½	72½			104½	116½			82	174½		

Calls 6,957 Puts 5,619

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Feb	158	1½	108½	2	61	4	22½	15½	4½	47½	1	99½	1	143½	1	193½
Mar	165	9	112½	16½	80½	28	53½	46½	38	73	16	107½	6½	148½	2½	194
Apr	178	26½	141½	39	109	58	81	77½	58½	104½	40½	138	127	171½	17½	211½
Jun	213½	51			148	83			95½	128½			57	187½		
Sept†	252	89½			188	101½			135½	145			93½	199½		

Calls 2,786 Puts 6,661 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	17.5	13¼	13	Bath Press	13¼		-	-	-	-
-	F.P.	28.4	55	51¼	Lazard Birla India	54½	+¼	-	-	-	-
-	F.P.	3.32	32½	29¼	Do Warrants	32		-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	35		-	-	-	-
35	P.P.	23.4	38	36	MCIT S Inc	36		-	-	-	-
100	F.P.	40.5	94	80	Matheson Lloyds	86		-	-	-	-
-	F.P.	18.0	130	90	Pentex Oil	90		-	-	-	-
-	F.P.	4.40	11	10½	Wessex Trust	11		-	-	-	-
-	F.P.	282.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Feb 10	% chg on day	Feb 9	Feb 8	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1721.85	+0.4	1715.38	1685.27	2848.28	2.22	2337.89	1657.91
■ Regional Indices								
Africa (16)	2707.83	-0.4	2718.22	2576.23	2641.07	5.07	3711.87	2394.45
Australasia (7)	1912.06	+4.0	1838.58	1788.20	2636.65	0.87	2611.40	1788.20
North America (11)	1403.43	+0.1	1402.33	1380.22	1787.67	0.80	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 13: 202.8 ; day's change: -1.1 Year ago: 200.7 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 13	Day's chge%	Feb 10	Feb 9	Feb 8	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3081.1	-0.9	3109.9	3099.0	3072.5	3363.5	4.24	7.19	16.43	7.61	1179.24
FT-SE Mid 250	3445.3	-0.3	3454.1	3440.7	3416.1	4010.6	3.68	6.40	18.63	9.31	1301.60
FT-SE Mid 250 ex Inv Trusts	3454.1	-0.2	3461.6	3447.5	3421.9	4030.6	3.83	6.92	17.38	9.44	1303.09
FT-SE-A 350	1537.5	-0.8	1549.5	1543.9	1531.1	1703.5	4.11	7.01	16.88	3.88	1204.27
FT-SE-A 350 Higher Yield	1562.9	-0.9	1577.1	1569.5	1555.5	1704.6	5.14	7.49	15.97	5.79	1007.18
FT-SE-A 350 Lower Yield	1511.7	-0.6	1521.6	1518.0	1506.3	1659.3	3.07	6.53	17.92	2.01	997.83
FT-SE SmallCap	1720.25	—	1720.73	1718.61	1714.68	2063.97	3.38	6.46	19.34	3.83	1347.59
FT-SE SmallCap ex Inv Trusts	1697.32	—	1696.71	1695.02	1691.56	2045.88	3.56	7.26	17.44	4.01	1334.29
FT-SE-A ALL-SHARE	1519.85	-0.7	1530.85	1525.42	1513.65	1693.96	4.05	6.97	17.05	3.80	1210.60

■ FT-SE Actuaries All-Share

	Feb 13	Day's chge%	Feb 10	Feb 9	Feb 8	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2699.43	-0.3	2708.44	2696.29	2674.59	2624.12	3.49	5.02	25.20	0.00	1069.81
12 Extractive Industries(7)	3488.72	-1.5	3543.17	3517.21	3480.67	3889.66	3.47	5.58	22.16	0.00	982.89
15 Oil, Integrated(3)	2711.37	-0.1	2713.09	2702.85	2681.60	2559.60	3.59	5.53	22.50	0.00	1119.68
16 Oil Exploration & Prod(15)	1955.82	-0.5	1966.28	1958.43	1944.77	1895.56	2.50	‡	‡	0.00	1131.60
20 GEN INDUSTRIALS(278)	1827.46	-0.7	1841.01	1835.27	1817.36	2177.06	4.28	5.89	20.26	1.77	940.90
21 Building & Construction(36)	959.10	+0.2	957.37	947.16	942.14	1523.93	4.06	6.60	18.72	0.61	757.98
22 Building Matls & Merchs(31)	1762.07	-0.7	1773.92	1764.28	1744.82	2300.09	4.83	6.27	19.24	0.20	836.71
23 Chemicals(23)	2202.98	-0.6	2217.16	2218.77	2207.59	2418.31	4.30	5.36	22.69	0.59	984.56
24 Diversified Industrials(17)	1807.56	-1.3	1831.74	1827.20	1796.27	2146.22	5.16	6.29	18.36	3.06	937.54
25 Electronic & Elect Equip(36)	1895.02	-0.9	1911.51	1911.99	1900.72	2219.79	4.01	6.76	17.55	2.01	937.40
26 Engineering(72)	1747.23	-0.6	1757.66	1749.70	1735.27	1974.30	3.46	5.62	20.89	2.87	1008.82
27 Engineering, Vehicles(13)	2123.07	-0.3	2130.31	2111.42	2095.14	2418.39	4.71	1.63	80.00†	0.18	1039.37
28 Paper, Pckg & Printing(27)	2724.67	-0.1	2728.01	2724.74	2694.59	2951.06	3.30	5.69	19.62	0.17	1078.75
29 Textiles & Apparel(21)	1480.20	-0.3	1484.02	1481.28	1484.14	1980.16	4.58	6.62	19.62	1.60	848.39
30 CONSUMER GOODS(95)	2857.86	-1.0	2888.73	2873.65	2859.31	2908.79	4.30	7.17	16.28	17.50	999.32
31 Breweries(18)	2147.64	+0.1	2146.20	2138.89	2143.62	2207.45	4.46	8.56	14.07	10.49	983.26
32 Spirits, Wines & Ciders(10)	2608.81	-0.3	2616.63	2591.76	2576.36	3039.81	4.37	7.54	15.67	26.30	890.76
33 Food Producers(24)	2350.86	-0.7	2367.09	2344.99	2333.66	2502.89	4.20	7.48	15.86	14.23	1006.34
34 Household Goods(10)	2533.17	-0.1	2536.61	2532.30	2510.41	2826.79	3.51	6.60	18.24	0.45	917.86
36 Health Care(18)	1614.15	+0.1	1612.28	1610.58	1586.54	1863.45	3.09	3.42	40.58	0.58	942.99
37 Pharmaceuticals(13)	3479.58	-1.8	3542.23	3539.39	3522.95	3064.18	4.06	6.20	18.73	25.70	1124.36
38 Tobacco(2)	3794.24	-1.5	3851.89	3834.44	3808.14	4119.04	5.66	9.90	11.37	0.00	865.50
40 SERVICES(231)	1870.58	-0.4	1878.93	1873.17	1865.77	2125.24	3.36	7.27	18.61	4.73	929.43
41 Distributors(32)	2256.61	-0.2	2260.67	2267.57	2271.58	3198.45	4.14	13.78	8.79	1.53	789.03
42 Leisure & Hotels(29)	2116.11	-0.6	2129.25	2120.72	2102.45	2311.24	3.40	5.75	20.78	8.83	1053.77
43 Media(43)	2759.16	-0.8	2782.57	2772.56	2758.66	3266.47	2.56	5.88	20.64	1.99	961.41
44 Retailers, Food(16)	1772.97	-0.1	1774.03	1762.61	1797.53	1619.85	3.71	9.04	13.56	2.54	1071.61
45 Retailers, General(45)	1552.61	-0.5	1560.31	1554.98	1540.84	1779.86	3.45	7.50	16.54	7.47	849.14
48 Support Services(36)	1484.52	—	1484.43	1475.82	1453.19	1782.35	2.83	6.50	18.13	1.08	909.86
49 Transport(21)	2214.15	-0.4	2223.23	2228.75	2206.09	2717.36	3.84	6.86	17.23	3.32	875.87
51 Other Services & Business(7)	1217.29	+0.3	1213.29	1217.35	1210.27	1348.11	3.67	4.56	29.80	5.42	1060.86
60 UTILITIES(37)	2363.93	-1.0	2387.12	2389.86	2388.84	2586.44	4.59	7.56	16.10	8.85	931.40
62 Electricity(17)	2444.79	-0.5	2456.11	2444.84	2424.13	2441.12	4.15	10.34	11.53	19.89	1046.26
64 Gas Distribution(2)	2042.04	-0.5	2051.63	2051.68	2042.04	2202.64	5.87	‡	‡	0.00	959.12
66 Telecommunications(5)	1980.78	-1.5	2011.52	2025.68	2011.89	2312.26	4.13	6.79	17.95	0.13	859.71
68 Water(13)	1733.91	-0.9	1750.04	1744.20	1695.13	1950.58	6.77	13.84	7.89	4.82	884.14
69 NON-FINANCIALS(666)	1645.97	-0.7	1657.99	1653.21	1641.62	1803.59	4.03	6.71	17.89	4.60	1178.94
70 FINANCIALS(119)	2143.90	-0.7	2158.79	2144.28	2119.06	2586.53	4.69	9.47	12.24	2.42	858.95
71 Banks, Retail(9)	2814.56	-1.0	2842.09	2806.51	2779.57	3350.80	4.42	10.28	11.14	4.85	849.04
72 Banks, Merchant(6)	3078.07	-1.1	3112.24	3142.10	3106.74	3587.34	3.81	9.06	12.86	0.00	994.87
73 Insurance(27)	1204.89	-0.6	1210.86	1198.77	1164.24	1481.76	5.48	8.79	11.85	0.57	833.40
74 Life Assurance(6)	2343.18	-0.7	2359.99	2355.41	2346.56	2690.94	5.45	7.95	15.34	0.00	906.84
77 Other Financial(23)	1858.94	-0.2	1862.09	1862.42	1849.93	2196.19	4.01	8.00	14.78	2.11	1005.39
79 Property(46)	1381.27	-0.1	1382.31	1380.10	1376.26	1645.80	4.35	7.73	16.21	0.67	801.25
80 INVESTMENT TRUSTS(133)	2828.80	-0.5	2842.10	2835.27	2819.18	2990.79	2.38	2.04	48.97	5.00	869.90
89 FT-SE-A ALL-SHARE(918)	1519.85	-0.7	1530.85	1525.42	1513.65	1693.96	4.05	6.97	17.05	3.80	1210.60
FT-SE-A Fledgling	983.59	-0.1	984.10	983.36	983.24	-	2.91	-	-	2.42	985.99
FT-SE-A Fledgling ex Inv Trusts	985.20	—	985.27	984.65	984.89	-	3.07	-	-	2.56	987.74

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3105.1	3106.9	3093.1	3088.4	3087.2	3083.7	3083.7	3086.5	3080.3	3108.3	3080.0
FT-SE Mid 250	3455.9	3458.0	3451.7	3449.0	3447.8	3446.4	3448.6	3446.7	3445.5	3456.8	3445.3
FT-SE-A 350	1547.9	1548.6	1542.8	1540.7	1540.1	1538.6	1538.6	1539.8	1537.2	1549.1	1537.1

Time of FT-SE 100 Day's high: 9.05am Day's low: 4.01pm. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	4901.3	902.0	905.7	905.2	904.6	906.0	904.6	904.6	904.1	904.1	901.6	+2.5
Pharmaceuticls	3480.3	3480.4	3480.9	3480.3	3457.5	3453.7	3480.7	3453.8	3447.8	3449.1	3512.3	-63.2
Water	1745.0	1745.2	1732.6	1731.0	1728.2	1725.7	1725.6	1726.3	1726.6	1728.6	1745.1	-16.5
Banks, Retail	2869.9	2873.3	2860.8	2856.1	2855.7	2852.7	2852.2	2858.4	2849.2	2850.5	2878.4	-27.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. NAME CHANGE: Charles Sidney now BMG Charles Sidney (Fledgling).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	127	356½	-1½
ASDA Group†	6,000	65¼	-¼
Abbey National†	3,600	439	-1
Albert Fisher	85	45	
Allied Domecq†	1,900	517	
Anglian Water	201	478	-6
Argos	320	354	-½
Argyll Group†	2,500	275	+3
Arjo Wiggins†	632	231½	-8½
Assoc. Brit. Foods†	327	607½	-1½
Assoc. Brit. Ports	57	277	+1
BAA†	2,100	457	-3
BAT Inds.†	5,100	454	-7
BET	1,700	108	-4½
BICC	202	318	-3
[illegible]			
Eastern Elect.†	359	704	-3
East Midland Elect.	24	768	-4
Electrocomps	283	490	
Eng China Clays	139	385	-11
Enterprise Oil†	178	405	-4
Eurotunnel Units	881	292	-8
FKI	395	144	
Fisons	2,300	115	-1
Foreign & Col. I.T.	829	133½	-1½
Forte†	983	237½	-4½
Gen. Accident†	1,100	543	-4
General Elect.†	1,300	269½	-6½
Glaxo†	2,400	641	-11
Glynwed	36	311	
Granada†	1,700	528	
Grand Met.†	2,100	384	-1½
GUS†	664	531	-3
GRE†	2,400	182	-3
GKN†	748	577½	-4½
Guinness†	1,200	433	-2
HSBC (75p shs)†	1,700	684	-11
Hammerson	7	325	-1
Hanson†	7,100	242½	-3
Harrisons Crosfield	1,100	142	+2
Hays	169	298	+1
Hillsdown	1,200	179	+2
IMI	81	302	-2
ICI†	2,300	734	-14
Inchcape†	2,500	300	-2
Johnson Matthey	54	529	
Kingfisher†	1,500	426	-3
Kwik Save	11	545	-8
Ladbroke†	3,200	174½	-2½
Land Securities†	1,100	579	-3
Laporte	69	660	-3
Legal & General†	1,600	453	-3
Lloyds Abbey	885	350	+2
Lloyds Bank†	5,300	554	-6
LASMO	2,400	159	-1
London Elect.	654	729	-1
Lonrho	591	154	+1
Lucas	219	192	-1
MEPC†	1,400	399	+2
MFI	692	117	-1
Manweb	137	800	-5
Marks & Spencer†	3,800	395½	-2½
Midlands Elect.	334	759	-4
Morrison (Wm.)	838	138	
NFC	3,800	169	-1
NatWest Bank†	7,200	502½	-6½
National Power†	3,100	477½	-½
Next	864	283	+9½
North West Water†	417	515	-4
Northern Elect.	348	975	-5
Northern Foods	742	209	
Norweb	125	813	-1
Pearson†	1,500	594	-9
P & O†	1,000	600	-1
Pilkington	6,100	158	+1
PowerGen†	776	504	-5
Prudential†	2,300	302	-3
RMC†	305	943	-4
RTZ†	1,300	757	-12
Racal	388	230	+1
Rank Org.†	1,000	382	-4
Reckitt & Colman†	652	645	-2
Redland†	709	446	-3
Reed Intl.†	1,700	760	-3
Rentokil†	4,000	234	+1½
Reuters†	3,800	447	-6
Rolls Royce†	2,700	161½	-3
Ryl Bk Scotland†	2,700	421	+2
Royal Insurance†	1,400	298	-3
Sainsbury†	2,200	422	
Schroders†	38	1526	-20
Scottish & New.†	743	495½	
Scot. Hydro-Elect.	883	314	-2
Scottish Power†	932	336	-2
Sears†	3,800	104½	+½
Sedgwick	572	166	+1
Seeboard	525	435	
Severn Trent†	287	506	-5
Shell Transport†	2,100	726	-1½
Siebe†	986	533	-7
Slough Ests	869	225	-2
Smith (W.H.)	461	438	-3
Smith & Nephew†	2,600	168	
SmKl Beecham†	2,100	484	-4½
SmKl Beecham Uts.†	795	456	-5
Smiths Inds.	842	436	+2
Southern Elect.†	728	738	-9
South Wales Elect.	325	804	-6
South West Water	87	492	-2
South West. Elect.	21	823	+1
Southern Water	187	545	-2
Standard Chard.†	698	265	-5
Storehouse	1,400	234½	+1
Sun Alliance†	1,600	315	-2
TSN	684	182	-2
TI Group†	186	347	-4
TSB†	8,300	244	-1½
Tarmac	1,800	116	+1
Tate & Lyle	1,400	495	
Taylor Woodrow	719	130	
Tesco†	6,200	247	-2
Thames Water†	593	479	-3
Thorn EMI†	324	1045	-4
Tomkins†	2,300	229	-5½
Trafalgar House	760	68	-1
Unigate	619	359	-3
Unilever†	870	1179	-3
United Biscuits†	5,800	346	-19
Utd. Newspapers	25	505	
Vodafone†	8,300	189½	-4
Warburg (SG)†	3,600	706	-20
Wellcome†	2,000	1014	-11
Welsh Water	58	686	-5
Wessex Water	171	278	-3
Whitbread†	1,400	529	
Williams Hldgs.†	405	332½	-4½
Willis Corroon	894	140	-2
Wimpey	2,100	132	-3
Wolseley†	717	392½	-7½
Yorkshire Elect.	487	811	-3
Yorkshire Water	1,100	504	-3
Zeneca†	930	892	-3

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 13 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 13 / Frs.)

[illegible]

CZECH REP (Feb 13 / Koruna)

[illegible]

DENMARK (Feb 13 / Kr)

[illegible]

FINLAND (Feb 13 / Mkka)

		+/-	High	Low	Yld	P/E
Nokia	714	-8	770	667	0.4	—
NokiaP	714	-4	770	666	0.4	—
OtkmpA	79.30	-2.90	82.70	79	....	—
Partek	60	—	68.50	57.90	...	—
PohjA	56	-4	67.50	51	1.8	—
PohjB	51.50	-.50	53.50	47.80	1.8	—
RautrK	38.90	-.50	41.50	38	...	—
Repola	84	...	89.70	80	1.2	—
SampoA	205	+2	220	194	...	—
Skopbk	3	+.75	3.20	2.05	...	—
Stockm	240	...	262	235	2.5	—
StckmB	212	-3	240	205	2.8	—
Tampell	11.90	—	15.10	11.60	—	—
Tamro	23	—	23.80	21.90	—	—
Unitas	14.20	+.60	14.20	11	—	—
Unitas	14	+.70	14	10.90	—	—
Valmet	80	-1.50	98	78	—	—

FRANCE (Feb 13 / Frs.)

[illegible]

GERMANY (Feb 13 / Dm.)

[illegible]

GREECE (Feb 13 / Drachma)

[illegible]

ITALY (Feb 13 / Lira)

[illegible]

NETHERLANDS (Feb 13 / Fls.)

[illegible]

NORWAY (Feb 13 / Kroner)

[illegible]

POLAND (Feb 10 / Zloty)

[illegible]

PORTUGAL (Feb 13 / Escudo)

[illegible]

SPAIN (Feb 13 / Pts.)

[illegible]

SWEDEN (Feb 13 / Kronor)

[illegible]

SWITZERLAND (Feb 13 / Frs.)

[illegible]

TURKEY (Feb 13 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Feb 13 / Yen)

[illegible]

HONG KONG (Feb 13 / H.K.$)

[illegible]

INDONESIA (Feb 13 / Rupiah)

[illegible]

MALAYSIA (Feb 13 / MYR)

[illegible]

NEW ZEALAND (Feb 13 / NZ $)

[illegible]

SINGAPORE (Feb 13 / S$)

[illegible]

AUSTRALIA (Feb 13 / Aust$)

[illegible]

SOUTH KOREA (Feb 13 / Won)

[illegible]

TAIWAN (Feb 13 / TW $)

[illegible]

THAILAND (Feb 13 / Baht)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 13 / Can $) 4 pm close

[illegible]

MONTREAL (Feb 13 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Feb 13 / Rand)

[illegible]

Prices supplied by Telekurs

INDICES

	Feb 13	Feb 10	Feb 9	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	14203.20	14345.48	25470.40	16/2/94	13888.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1848.3	1848.0	1833.8	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	813.4	813.7	798.8	1136.10	3/2/94	785.30	8/2/95
Austria							
Credit Aktien(30/12/84)	384.03	383.68	385.46	489.88	2/2/94	381.34	3/2/95
Traded Index(2/1/91)	983.37	981.05	982.53	1222.25	1/2/94	988.39	3/2/95
Belgium							
BEL20 (1/1/91)	1357.14	1358.15	1350.45	1642.85	9/2/94	1338.38	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	33077.0	34018.0	55110.80	13/9/94	3800.98	3/1/94
Canada							
Metals Minls‡(1975)	(u)	3902.78	3868.08	4328.07	18/1/95	3290.08	20/4/94
Composite‡ (1975)	(u)	4110.60	4116.04	4668.80	23/3/94	3869.80	24/6/94
PortfolioSS (4/1/83)	(u)	2020.36	2025.55	2182.69	1/2/94	1868.46	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5412.2	5423.0	5784.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	357.07	358.18	355.40	415.79	2/2/94	338.68	20/12/94
Finland							
HEX General(28/12/90)	1824.9	1831.0	1833.0	1872.08	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1225.01	1235.43	1238.48	1566.20	3/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1860.31	1869.40	1874.44	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	790.40	791.87	784.27	889.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2250.9	2252.8	2229.4	2465.50	2/5/94	2118.30	5/10/94
DAX (30/12/87)‡	2116.95	2130.15	2112.69	2271.11	16/5/94	1980.69	7/10/94
Greece							
Athens SE(31/12/80)	835.38	807.60	796.48	1194.55	18/1/94	789.22	8/2/95
Hong Kong							
Hang Seng(31/7/64)	7974.82	8012.62	8054.88	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3508.04	3522.14	3555.57	4628.57	12/9/94	3411.84	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	455.70	453.31	450.63	612.89	5/1/94	432.88	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1898.54	1902.77	1897.04	2082.18	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	670.94	680.54	679.45	817.37	10/5/94	581.84	13/12/94
MIB General (2/1/95)	1061.0	1076.0	1074.0	1076.00	10/2/95	978.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18313.86	18291.35	18099.55	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	261.41	261.81	258.55	311.71	13/6/94	254.88	23/1/95

	Feb 13	Feb 10	Feb 9	1994/5 High		1994/5 Low	
Japan							
Topix (4/1/68)	1425.40	1428.28	1412.71	1712.73	13/6/94	1380.68	23/1/95
2nd Section (4/1/68)	1885.78	1875.30	1875.76	2542.88	8/7/94	1868.36	3/1/94
Malaysia							
KLSE Comp.(4/4/86)	980.42	980.38	971.03	1314.46	5/1/94	940.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1868.30	1935.82	2881.17	8/2/94	1808.90	31/1/95
Netherland							
CBS TtlRtnGen(End 83)	446.2	447.0	443.6	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	279.9	280.4	279.5	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1958.07	1957.93	1959.57	2439.84	3/2/94	1878.89	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1140.71	1147.25	1144.84	1211.10	28/2/94	980.81	21/6/94
Philippines							
Manila Comp (2/1/85)	2841.78	2824.46	2570.00	3398.37	4/1/94	2374.88	24/1/95
Portugal							
BTA (1977)	2783.7	2788.0	2783.5	3226.69	18/2/94	2812.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	512.92	512.64	511.59	641.81	4/1/94	472.90	23/1/95
South Africa							
JSE Gold (28/9/78)	1593.6♥	1627.8	1654.4	2534.59	7/9/94	1495.30	30/1/95
JSE Ind. (28/9/78)	6380.1♥	6368.7	6411.0	6894.48	30/12/94	5448.88	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	957.10	955.31	963.77	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	288.95	288.48	288.11	388.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldsGen (1/2/37)	1553.3	1558.10	1558.80	1803.98	31/1/94	1334.76	8/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1252.32	1253.43	1250.30	1423.34	31/1/94	1136.72	27/10/94
SBC General (1/4/87)	925.23	925.85	925.48	1083.29	31/1/94	878.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6408.21	6554.78	6543.42	7181.13	1/11/94	5194.63	18/3/94
Thailand							
Bangkok SET (30/4/75)	1283.87	1301.87	1307.18	1783.73	4/1/94	1191.28	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	28897.0	28918.0	28704.1	29145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	618.8*	618.8	613.8	649.90	2/11/94	581.80	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1342.94	1349.30	1347.04	1540.19	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)	1188.71	1198.05	1196.18	1311.01	2/2/94	1135.48	5/10/94
JCapalDgns (31/12/88)	(u)	293.81	294.21	395.18	5/1/94	281.48	23/1/95
Barings Emerg.(7/1/92)	139.39	139.83	141.54	181.79	20/9/94	134.67	31/1/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40							
Feb	1874.0	1857.0	-20.0	1874.0	1856.0	13,418	26,220
Mar	1881.0	1864.5	-20.5	1881.0	1865.5	117	29,037
■ DAX							
Mar	2132.0	2134.5	-1.5	2135.5	2122.0	12,897	N/A
Jun	2152.0	2154.5	-8.5	2152.0	2143.5	292	N/A
■ OMX							
Feb	1196.00	1189.50	-10.5	1196.00	1185.50	4,519	23,519
Mar	1195.00	1195.50	-6.50	1199.50	1193.25	2,714	1,884
■ SOFFIX							
Feb	2635.0	2633.0	-3.00	2635.0	2618.0	3,229	14,436
Mar	2633.0	2638.0	-4.10	2639.5	2627.0	431	1,583

-- Sat Feb 11: Taiwan Weighted Price 6506.24; Korea Comp Ex 959.71. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10; §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 13 - 2118.96 -6.60.

US INDICES

Dow Jones	Feb 10	Feb 9	Feb 8	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3939.07	3932.88	3936.37	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.52	95.83	95.69	105.81 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1542.13	1503.24	1501.14	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	193.05	193.12	194.70	227.86 (3/1/94)	173.94 (22/11/94)	256.48 (31/8/93)	10.58 (8/4/32)

DJ Ind. Day's high 3962.96 (3967.35) Low 3908.46 (3904.76) (Theoretical‡)
Day's high 3944.79 (3948.83) Low 3923.99 (3929.31) (Actual‡)

Standard and Poors	Feb 10	Feb 9	Feb 8	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	481.46	480.19	481.19	482.99 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	589.65	587.18	587.31	589.17 (10/2/95)	510.05 (21/4/94)	589.17 (10/2/95)	3.62 (21/6/32)
Financial	45.18	45.38	45.65	48.94 (14/6/94)	38.87 (22/11/94)	48.49 (29/9/93)	8.64 (1/10/74)
NYSE Comp.	261.80	261.21	261.67	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	447.85	448.33	445.94	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	780.48	785.44	783.77	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Feb 10	Feb 3	Jan 27	Year ago
Dow Jones Ind. Div. Yield	2.72	2.73	2.79	2.58
	Feb 8	Feb 1	Jan 25	Year ago
S & P Ind. Div. yield	2.38	2.42	2.43	2.46
S & P Ind. P/E ratio	18.38	18.96	18.90	27.44

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	6,574,400	33	+¾
Glaxo	4,785,700	20¾	+¼
Compaq	4,288,200	37¼	-½
Ford Motor	4,282,600	25¾	+⅛
Micron	4,245,300	62¾	+2¾
EMC Corp	3,768,200	17¾	+⅛
Federated DS	3,068,400	21½	+1
AMR Corp	2,717,500	60¾	+3¼
Gen Motors	2,622,000	39⅞	+1
Motorola	2,597,400	62¼	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Feb 10	Feb 9	Feb 8
New York SE	295.553	325.548	317.912
Amex	13.935	17.181	16.400
NASDAQ	336.359	359.345	328.110
NYSE			
Issues Traded	2,821	2,948	2,933
Rises	1,218	1,124	1,116
Falls	912	1,074	1,040
Unchanged	793	750	777
New Highs	48	59	72
New Lows	24	28	29

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	483.50	483.20	-0.45	483.85	482.90	65,306	197,745
Jun	487.55	487.15	-0.58	487.55	487.10	1,800	17,316
■ Nikkei 225							
Mar	18410.0	18420.0	+70.0	18480.0	18340.0	24,302	123,291
Jun	18440.0	18440.0	+60.0	18520.0	18400.0	4,065	16,639

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, February 13, 1995

	Stocks Traded	Closing Prices	Change on day
Sumitomo Const	25.9m	784	+23
Fudo Const	17.7m	1250	-50
Aoki Corp	11.6m	613	-5
Penta Ocean	10.5m	840	-25
Obayashi Corp	7.7m	787	+17
Daisue Const	6.0m	690	-19
Terumo Corp	3.6m	836	+14
Toyo Const	3.5m	695	-16
Toyo Tst & Bnk	3.0m	951	-9
Wakachiku Const	2.8m	723	+8

4 pm close February 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	13	AAR	0.48	3.5	24	142	13⅞	13⅝	13¾	+⅛
21⅞	19¾	ALPharmaA				312	20¾	20¾	21⅛	+⅝
75¼	70⅛	AMP	1.84	2.5	20	1789	74	73	73¼	-⅝
60½	53⅞	AMR			28	12827	u61⅝	60	60	-¼
46⅞	41⅞	ASA	1.71	3.9	29	485	44⅞	43⅞	44⅛	-½
36	30¼	AbbtL	0.76	2.2	18	5057	34⅜	34½	34¾	
14	13	Abitibi Pr	0.50	3.8	12	190	13¼	d13	13¼	+¼
24¾	22¾	ABM Ind	0.60	2.6	14	18	23⅞	23¼	23¼	
16⅞	14½	Acpincoin			12	44	15⅞	15⅞	15⅞	-⅛
25⅞	21⅞	ACE Ltd	0.44	1.8	8	269	25⅞	25	25	-⅝
9¾	9⅛	ACM Gvt In x	1.09	11.5	8	472	9⅝	9½	9½	
7½	7⅛	ACM GvOpp x	0.80	11.0		34	7¼	d7⅛	7¼	+⅛
7½	7	ACM Gvt Sp x	0.96	13.0		127	7⅜	7¼	7⅜	
8⅝	8	ACM Gvt Se x	1.09	12.9		314	8½	8⅜	8½	
8½	7⅝	ACM Man x	1.08	13.7		265	8	7¾	7⅞	
7⅝	7⅛	ACM Managd x	0.72	9.8		26	7½	7⅜	7⅜	
16¼	10¼	AcmeCIv	0.48	3.1	9	324	15¾	15⅜	15⅝	+⅛
21½	12⅜	Acme Elect			22	316	19⅞	18¾	19¼	-¼
34	31⅜	Acordia	0.72	2.1	17	48	u34⅜	33⅞	34⅜	+⅝
11	8⅝	Actava	0.36	3.3	3	1425	u11⅜	10½	11	+⅜
16¾	13	Acuson			22	430	13⅞	13⅝	13⅝	
16½	15⅝	Adams Expr	0.36	2.2	0	268	u16⅝	16½	16½	
64½	53	Ad Micro	3.00	4.9		164	63	61¼	61¾	-1⅜
32¼	25	AdvMic	3.00	9.7	9	4181	31⅞	30⅞	31	-½
6⅝	5	Advest Grp	0.16	2.6	30	23	6⅛	5⅞	6⅛	+⅛
18⅞	16½	Advo Inc	0.10	0.5	15	62	u19	18⅞	18⅞	+⅛
68¼	63⅞	Aegon ADR	1.47	2.2	12	13	66	65¾	65¾	+¼
4⅛	3⅜	Aerfix			5	228	u4⅛	4	4⅛	
53⅞	46¾	AetnaL	2.76	5.2	12	1675	53⅛	53	53⅛	
37½	31⅞	Aflac	0.46	1.3	12	1047	37¼	36¾	36¾	-⅝
18¼	16	Ahmnsn	0.88	4.9	10	1972	u18¼	17⅞	18	
1¼	13/16	Aileen Inc			0	668	u1⅜	1⅛	1¼	
47½	43⅞	AirPrC	0.98	2.1	21	498	47⅛	46⅞	46⅞	
23¾	20⅞	Airbne Frt	0.30	1.3	12	289	u23¾	23½	23½	-¼
26¼	19⅝	Airgas Inc			29	359	25⅛	24⅞	25⅛	
14¾	13⅝	Airlease	1.88	13.0	10	20	14⅝	14⅜	14½	+⅛
30	26½	AirTch			141	4443	28¼	27⅞	28¼	+⅛
16¾	14⅞	Alaska Air	0.20	1.3	9	1146	15¾	15¼	15⅝	+⅛
18⅝	17¼	Albany Int	0.35	2.0	22	358	17¾	17⅝	17¾	+⅛
14½	12¾	Alberti	0.20	1.5	16	441	13¼	12⅞	13	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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صحکانن الاصل

4 pm close February 13

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close February 13

AMEX COMPOSITE PRICES

4 pm close February 13

AMERICA

Fresh inflation doubts put a check on Dow

Wall Street

The Standard & Poor's 500 index once again surpassed its record close in intraday trading yesterday, but there was uncertainty about whether the measure could sustain the high through to the end of the session, *writes Lisa Bransten in New York.*

At 1 pm the S & P 500 was up 1.28 at 482.74, surpassing the record of 482 set on February 2 last year. The Dow Jones Industrial Average gained 17.16 at 3,956.23, while the American Stock Exchange composite fell 0.50 to 447.35. The Nasdaq composite rose 1.26 to 791.69. Volume on the NYSE was 146m shares.

For more than a week the Dow and the S & P 500 have toyed with record closes during the day but posted only modest changes by the close.

Some of the lack of direction in the market has been attributed to the dearth of economic data out last week or in the early part of this week. A wave of figures is set to begin today with the release of January retail sales figures. On Wednesday more important information on capacity utilisation and consumer prices for January is to be released.

Economists forecast that all of the data would show moderate to strong gains from December's levels, and investors were worried that signs of economic strength might spur the Federal Reserve to raise interest rates. Interest rate increases put pressure on corporate earning by deterring consumer spending and making corporate borrowing expensive.

For the first time in several sessions the Nasdaq composite did not perform as well as the other indices, in part because the technology shares that dominate the index posted only modest moves. Intel was up $⅝ at $77⅝, Apple Computer gained $⅝ at $44¼ and Microsoft gained $⅝ at $62⅝.

Adding pressure to the Nasdaq were declines in several biotechnology companies that had surged and then fallen back last week on takeover rumours. Sparking the activity were rumours the Bristol Myers Sqibb might acquire Amgen, but they proved unfounded. Amgen lost $2⅛ at $66¼, Biogen fell $1 at $40. Genzyme was up $¼ at $38¾.

The Dow Jones index of transportation shares gained more than 1 per cent while the Dow itself was up less than 0.5 per cent as several airlines added to recent gains. AMR – the parent company of American Airlines – Delta Air Lines, and Northwest Airlines announced a cap on travel agent commissions.

AMR added $⅝ at $60⅝, Delta rose $⅝ at $57¼ and Northwest climbed $1 at $22. UAL, the parent of United Airlines, rose $1¼ at $98¼ and was expected to announce a similar policy.

Shares in General Motors rose $1 at $40⅞ after an analyst at securities house Salomon Brothers upgraded the company to "buy" from "hold".

Canada

Toronto was dragged lower at midday by sharp losses in gold and precious metals. The TSE-300 Composite index was 17.07 off at 4,093.48 by noon in volume of 19.7m shares.

Gold and precious metals sank 119.67 to 8,611.99, undermined by weak bullion prices. Barrick Gold fell C$½ to C$29½, Placer Dome dropped C$½ to C$27½ and Franco-Nevada lost C$⅝ to C$61⅝.

Inco picked up C$¾ to C$37⅞ after saying that its purchases of Russian nickel had increased slightly to meet demand.

Hemosol rose C$1⅛ to C$6⅜ after it said that the Canadian government had approved phase one trials of its red blood cell substitute.

Brazil

São Paulo eased from early highs in light midday trade as investors sold stocks ahead of futures index and options market settlements tomorrow. The Bovespa index was down 94 at 32,983 in low turnover of R$82.2m ($98.7m).

Mexico

Mexico slipped in early trading, the IPC index surrendering 25.55 at 1,942.75, as investors reacted to the victory by the opposition party in a local election at the weekend.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-0.48	-6.49	-21.97	-19.71	-13.40	-8.64
Belgium	+0.25	+0.65	-11.44	-8.74	-1.42	+4.00
Denmark	+0.65	+1.64	-14.68	-7.66	-0.89	+4.56
Finland	-1.28	-2.96	+3.55	+23.49	+44.63	+52.57
France	+1.90	+1.30	-18.21	-16.06	-10.96	-6.06
Germany	+3.36	+2.75	-3.46	-8.70	-1.39	+4.03
Ireland	+0.99	+1.78	-0.10	+4.28	+8.74	+14.71
Italy	+0.26	+6.72	+0.73	+11.86	+12.47	+18.63
Netherlands	+0.87	+1.43	-5.26	-1.99	+5.64	+11.44
Norway	+0.16	+3.00	-3.32	+6.28	+13.60	+19.84
Spain	+0.68	+4.66	-17.44	-11.20	-8.32	-3.29
Sweden	+1.23	+2.86	+4.47	+11.15	+18.45	+24.96
Switzerland	+1.58	+1.40	-11.22	-9.18	-0.67	+4.80
UK	+1.68	+1.81	-9.70	-9.06	-9.06	-4.07
EUROPE	+1.62	+2.09	-9.21	-7.69	-3.80	+1.50
Australia	-0.22	-0.48	-15.05	-12.76	-9.16	-4.15
Hong Kong	+7.75	+12.17	-30.69	-33.94	-37.42	-33.98
Japan	-1.53	-5.80	-11.37	-1.56	+5.27	+11.05
Malaysia	+6.35	+12.25	-11.58	-22.31	-22.15	-17.87
New Zealand	-1.53	+2.47	-12.45	-6.14	+0.88	+6.42
Singapore	-1.62	+0.63	-11.00	-15.67	-11.45	-6.59
Canada	+0.00	-0.69	-3.53	-1.35	-11.69	-6.85
USA	+0.54	+3.44	+3.48	+3.87	-1.54	+3.87
Mexico	+0.14	-9.71	-27.39	-19.97	-57.96	-55.65
South Africa	-2.22	-6.58	+6.24	+5.21	+7.77	+13.69
WORLD INDEX	+0.30	+0.12	-6.25	-3.14	-2.60	+2.76

† Based on February 10, 1995. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

EUROPE

Bourses awaiting lead from US economic data

Markets were aimless as they awaited the publication of today's US retail sales figures, and further economic data due later in the week.

FRANKFURT just held the 2,115 resistance level during normal hours, although the DAX lost 13.20 to 2,116.95 and in the Ibis settled at 3,118.96. Turnover was DM5.3bn.

Viag, one of the few risers on the day with a gain of DM4.50 at DM518.50, has been kept at a buy recommendation by James Capel following results last week.

The broker commented that the group remained essentially a cyclical play, in spite of the sale of PWA.

But, unlike Veba, down DM4.60 to DM531.00, its activities were more geared to the late end of the cycle and improvement was only beginning to take shape, said Capel: "While Veba's earnings will, at best, stabilise once the chemicals cycle turns, Viag's should continue to rise . . ."

PARIS declined 1 per cent but the fall was characterised by low turnover of FFr2.6bn. The CAC-40 index ended 19.09 off at 1,850.31.

The financial sector saw some of the heaviest falls: AGF was down FFr5.90 or 3.1 per cent to FFr185.2 and Axa FFr8 or 2.9 per cent to FFr235.7.

Thomson-CSF shed FFr4.7 or 3.3 per cent to FFr139.8 as investors worried about its exposure to Crédit Lyonnais, off FFr9.50 or 2.7 per cent at FFr344.30, in which it has a 20 per cent stake.

AMSTERDAM could find little incentive and the AEX index closed with a marginal loss of 0.89 at 414.75.

Traders suggested that many investors were holding off until next week when a number of the largest Dutch companies were due to report 1994 figures.

Goldman Sachs, in a preview of Unilever, unchanged yesterday at Fl 200.70 and due to report on February 21, said it expected the company to have ended the year on a "reasonably strong note". Looking ahead to 1995, the US investment bank said Unilever should be set for a sizeable increase in operating margins.

FT-SE Actuaries Share Indices

Feb 13							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1341.98	1341.79	1341.85	1341.85	1341.39	1341.17	1342.58	1342.94
FT-SE Eurotrack 200	1401.73	1398.98	1399.29	1399.19	1398.22	1400.90	1398.30	1398.45
		Feb 10	Feb 9	Feb 8	Feb 7	Feb 6		
FT-SE Eurotrack 100		1348.30	1347.04	1334.40	1340.47	1338.26		
FT-SE Eurotrack 200		1406.41	1403.33	1398.29	1397.72	1395.17		

Base 1000 (26/10/90); High/day: 100 - 1343.17; 200 - 1401.82 Low/day: 100 - 1340.75 200 - 1397.20 † Partial

"Our current estimates look for a 50 basis-point increase to 9.4 per cent, and constant currency operating profits growth of 14 per cent."

ZURICH was unable to make much progress although some late demand for pharmaceuticals enabled the market to recoup earlier losses, having been under pressure from weak bond futures and a lower dollar. The SMI index finished 0.6 ahead at 2,636.0.

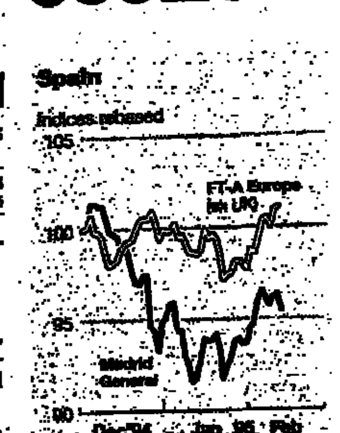
Roche certificates picked up SFr25 of the losses seen at the end of last week to SFr6,740, while in a largely weaker banking sector, UBS bearers advanced SFr7 to SFr1,037, with the bank said to be a likely buyer of its own shares.

Among second-tier shares, certificates in Lindt & Spuengli, the chocolate maker, fell SFr45 to SFr1,600.

MILAN was weak in thin, technical trade ahead of today's close of the February account, and the Comit index dipped 9.60 or 1.4 per cent to 670.94. The Mibtel index was down 134 at 10,589, closing near its low for the day.

Among weak industrials, Olivetti receded L45 to L1,960 on persistent speculation about a capital increase and as Goldman Sachs cut its recommendation. Montedison was L33 lower at L1,257.

Among the banks, a L49 fall in Credito Italiano to L1,917 was attributed to profit-taking,



while a further L792 drop to L13,550 in Credito Romagnolo was a further technical reaction to the end of Italiano's offer. Ambroveneto was L19 higher at L5,300 amid continuing speculation about a change in the bank's shareholding syndicate.

MADRID was lower in line with other markets in thin trade ahead of today's January consumer price index figures. The General index retreated 2.51 to 286.95, with economists forecasting a monthly rise of about 1.5 per cent, compared with 0.4 per cent in December, taking the annual inflation rate to 4.8 per cent from 4.3 per cent.

Turnover was down to Pta15bn, making it one of the slowest days of the year so far.

Repsol was among the day's biggest losers, falling Pta60 to Pta3,830, linked to talk of the possible sale of another part of the state's holding within two months. The government has said that it could sell up to another 30 per cent of the stock but has yet to fix a date.

WARSAW dropped 2.5 per cent in low turnover as investors bought shares at the order-balancing session after price fixing.

The Wig index lost 161.9 at 6,436.8 as turnover fell 45 per cent to 24m zlotys and volume 38 per cent to 1.3m shares.

Universal was the most active stock, falling 4 per cent in turnover of some 3m zlotys.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Arbitrage buying leaves Nikkei marginally firmer

Tokyo

The Nikkei 225 average closed marginally higher as arbitrage buying supported shares in low volume, *writes Emiko Terazono in Tokyo.*

The index was up 22.51 at 18,313.86 after fluctuating between 18,283.14 and 18,428.31. A rise in futures trading prompted arbitrage buying in the morning, but this lost steam in the afternoon as profit-taking in the construction sector eroded some of the earlier gains.

Volume was 270m shares, against 360.2m. Dealers sold previously popular construction stocks, while banks tried to lock in profits by cross-trading, or selling and buying back shares in order to realise profits on their holdings without altering portfolios.

The Topix index of all first section stocks eased 0.89 to 1,425.40, while the Nikkei 300 closed 0.20 off at 261.41. Losers led gainers by 474 to 463, with 205 issues unchanged. In London the ISE/Nikkei 50 index was 0.61 firmer at 1,165.22.

High-technology issues lost ground, Toshiba shedding Y14 to Y615. Other exporters were also lower, with Nissan Motor down Y10 to Y723.

Some analysts expect the export sector to remain sluggish in the face of economic growth in Japan. "The relative underperformance by export sectors since the beginning of the year is likely to be just a foretaste of what is to come," said Mr Neil Rogers, strategist at UBS Securities.

The property sector was the day's biggest gainer, rising 1.3 per cent on foreign buying. Mitsubishi Estate moved ahead Y30 to Y1,050.

Construction shares continued to top the list of the day's most active stocks. Sumitomo Construction added Y23 at Y764 but Fudo Construction fell Y50 to Y1,250 and Aoki declined Y5 to Y613.

Prefabricated house makers, which were bought on reports that such homes were the least damaged by last month's earthquake in Kobe, were mixed. Sekisui House continued to rise, gaining Y10 at Y1,170, but Daiwa House lost Y10 at Y1,470 on profit-taking.

In Osaka, the OSE average rose 86.69 to 20,083.28 in volume of 70.3m shares. Ono Pharmaceutical advanced Y60 to Y4,790 but Rohm receded Y110 to Y3,810.

Roundup

Markets followed individual stories yesterday.

SYDNEY was generally little changed in light trading, but there was heavy trading in John Fairfax on speculation that Mr Kerry Packer was raising his stake in the media group. The All Ordinaries index edged up 0.3 to 1,846.3 in turnover of A$291m.

Analysts said they did not expect the market to move significantly until the announcement of January CPI data, due out tomorrow.

John Fairfax, up 4 cents at A$2.69 in volume of 2.5m shares, is 25 per cent owned by Mr Conrad Black's Telegraph group, while Mr Packer's Publishing and Broadcast company has a 14.97 per cent shareholding. News Corp rallied 8 cents to A$5.60.

Banks were mixed, with NAB up 24 cents at A$10.42 as CBA slipped 8 cents to A$8.47 ahead of interim earnings news due out today.

Foster's Brewing moved up 2 cents to A$1.16 following half-time results.

HONG KONG eased on light selling, with investors reluctant to commit themselves ahead of inflation data in the US, the next round of Sino-US trade talks, and the forthcoming local results reporting season. The Hang Seng index ended 38.00 lower at 7,974.82, although the H-share index of mainland Chinese companies quoted in Hong Kong rose 36.58 or 3.6 per cent to 1,051.72.

Brokers noted that investors had largely ignored news that Standard & Poor's had improved its outlook on Hong Kong's credit rating to positive from negative.

SHANGHAI's B share index picked up 3.1 per cent after new reports on the health of Deng Xiaoping, the Chinese leader. The index put on 1.722 at 58.026 after Deng Rong, one of Deng's daughters, was quoted by local newspapers at the weekend as saying her father was in good health.

BANGKOK fell back on worries that high interbank rates might trigger a rise in local interest rates. The SET index relinquished 18.00 at 1,283.97 in turnover of Bt4.16bn.

Interbank rates started to rise late last week, prompted by the forthcoming end to the Bank of Thailand's special swap facility that was designed to increase liquidity in the market. The interbank rate rose to 15.5 per cent in the morning, before easing to 15.00 per cent in the afternoon.

Sahaviriya Steel topped the active list, declining Bt4 to Bt63 on reports that one of its minority shareholders might pull out of a hot-rolled steel project.

TAIPEI declined on profit-taking after recent gains and brokers said cautious sentiment might persist in the near term.

The weighted index dipped 67.03 or 1 per cent to 6,498.21 in turnover of T$50.82bn.

Construction stocks were heavily sold, with Pacific Construction dropping T$1.10 or 3.7 per cent to T$28.60.

Cements and steels also retreated: Lucky Cement was finally T$1.30 or 3.33 per cent down at T$37.70.

KUALA LUMPUR saw profit-taking erase an early extension of last week's surge, and the composite index closed just 0.04 higher at 980.42 after peaking in the morning at 992.75.

Volume amounted to 401m shares, the largest since October 6 last year, and compared with Friday's 361m.

Gaming shares remained in demand on rumours of a tax cut in the sector. Magnum rose 8 cents to M$4.72.

Multi-Purpose Holdings surrendered 16 cents at M$4.32 in further active trading since last week's renewed talk of a takeover bid.

SINGAPORE closed higher, with the pent-up speculative buying in Malaysian shares traded over the counter dominating volume. The Straits Times Industrial index moved forward 19.07 to 2,093.12.

SEOUL edged slightly ahead in moderate trading, although a consolidation of large-capitalised stocks pared gains from an early technical rebound. The composite index ended 3.39 firmer at 957.10.

MANILA gained ground, the composite index finishing 17.32 higher at 2,641.79. Turnover rose to 1.59bn pesos from Friday's 1.78bn pesos.

Mining and commercial-industrial issues closed with big gains, while the oil sector ended on the negative side.

BOMBAY was easier on light selling in both group A and B shares. The BSE-30 index lost 16.10 points at 3,506.04.

Brokers said that with the inflation rate climbing to a record 11.55 per cent and uncertainty prevailing over regional elections, few investors were keen to take fresh positions.

WELLINGTON was boosted by a rise in Telecom ahead of its third-quarter results expected tomorrow. The NZSE-40 index ended 10.14 higher at 1,968.07 as Telecom appreciated 10 cents to NZ$5.40.

S African golds fall 2.1%

Gold shares fell 2.1 per cent in Johannesburg on the back of a firm financial rand and a weaker gold bullion price, while other stocks drifted lower on limited interest.

The overall index declined 21.3 to 5,212.8, industrials slipped 8.6 to 6,380.1 and the golds index slid 34.0 to 1,593.6.

Futures swung after recovering from a weaker start only to renew declines later amid deteriorating spot sentiment.

Anglos finished R1 lower at R191 after reversing an early advance and De Beers closed unchanged at R84.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 10 1995								THURSDAY FEBRUARY 9 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	159.93	0.8	151.91	100.01	126.72	142.64	0.6	4.05	158.71	151.25	98.17	126.17	141.79	161.76	157.95	181.33
Austria (18)	169.00	-0.1	160.53	105.66	133.91	133.72	-0.5	1.21	169.15	161.20	105.70	134.47	134.46	198.89	167.46	187.87
Belgium (35)	169.16	0.8	160.68	106.78	134.04	130.89	0.8	4.22	167.76	159.88	104.83	133.38	130.11	177.04	161.53	165.58
Brazil (28)	128.94	-2.5	122.48	80.63	102.16	198.29	-2.2	1.31	132.20	125.98	82.61	105.09	202.82	-	-	-
Canada (103)	126.49	-0.4	120.16	79.10	100.23	128.43	-0.2	2.72	127.01	121.04	79.36	100.97	128.65	141.01	120.54	136.98
Denmark (33)	258.46	0.9	245.51	161.62	204.79	210.97	0.6	1.50	256.25	244.21	160.12	203.71	209.81	275.27	236.61	265.88
Finland (24)	187.97	0.6	178.55	117.54	148.94	184.90	-0.2	0.75	186.93	178.15	116.81	148.60	185.21	201.41	139.88	149.84
France (101)	165.29	0.3	157.01	103.36	130.97	136.81	-0.1	3.14	164.86	157.11	103.01	131.05	136.87	181.44	157.79	179.06
Germany (58)	145.89	1.1	138.59	91.23	115.60	115.60	0.8	1.80	144.30	137.52	90.17	114.71	114.71	150.40	128.94	131.36
Hong Kong (56)	323.03	-0.6	306.85	202.00	255.96	320.68	-0.6	3.92	324.92	309.66	203.04	258.31	322.52	464.98	277.40	464.88
Ireland (16)	212.46	0.2	201.82	132.86	168.35	193.12	0.2	3.30	212.12	202.15	132.55	168.63	192.75	216.60	177.56	192.89
Italy (58)	81.37	-0.6	77.30	50.88	64.48	98.09	-0.9	1.59	81.88	78.03	51.17	65.09	98.94	97.78	67.25	77.08
Japan (484)	144.51	1.0	137.27	90.37	114.51	90.37	1.1	0.84	143.07	136.34	89.40	113.73	89.40	170.10	139.45	146.73
Malaysia (97)	485.82	1.8	461.48	303.80	384.96	476.84	1.8	1.77	477.33	454.90	298.27	379.46	468.41	594.76	399.16	507.22
Mexico (18)	1058.93	0.8	1005.87	662.17	839.05	6489.38	1.5	1.67	1050.35	1000.99	656.34	834.98	6390.83	2632.57	964.79	2632.57
Netherland (19)	221.89	0.7	210.77	138.75	175.82	172.99	0.3	3.34	220.44	210.08	137.75	175.25	172.44	223.30	191.28	203.57
New Zealand (14)	72.27	-0.2	68.65	45.19	57.27	60.50	-0.5	4.84	72.45	69.05	45.27	57.60	60.80	77.20	62.05	74.81
Norway (23)	215.28	0.6	204.50	134.62	170.58	194.90	0.3	1.77	213.94	203.88	133.68	170.07	194.26	216.03	177.63	196.07
Singapore (44)	343.32	-0.4	326.12	214.69	272.04	229.80	-0.5	1.88	344.62	328.43	215.35	273.97	230.91	401.38	294.66	353.38
South Africa (59)	303.72	0.4	288.50	189.92	240.66	263.55	-0.4	2.53	302.39	288.18	188.96	240.39	264.71	342.00	205.65	248.77
Spain (38)	134.77	0.5	128.02	84.27	106.79	133.98	0.2	4.24	134.08	127.78	83.78	106.59	133.68	150.82	124.87	150.21
Sweden (46)	245.38	0.5	233.09	153.44	194.43	269.33	-0.1	1.51	244.10	232.63	152.54	194.06	269.63	245.38	198.70	214.91
Switzerland (47)	167.82	0.5	159.41	104.94	132.97	133.91	0.0	1.82	166.96	159.12	104.33	132.73	133.87	169.42	149.91	154.61
Thailand (46)	151.81	-0.8	144.21	94.93	120.29	147.66	-0.8	2.76	152.97	145.78	95.59	121.61	148.84	-	-	-
United Kingdom (204)	198.71	0.7	188.86	123.01	155.87	188.86	0.3	4.15	195.40	188.21	122.10	155.34	188.21	206.93	181.11	203.98
USA (513)	197.26	0.2	187.37	123.35	156.30	197.26	0.2	2.85	196.84	187.58	123.00	156.48	196.84	197.31	178.95	190.83
Americas (662)	181.09	0.2	172.01	113.24	143.48	151.81	0.2	2.81	180.79	172.29	112.97	143.72	151.53	-	-	-
Europe (720)	172.11	0.6	163.48	107.62	136.37	152.36	0.2	3.06	171.12	163.08	106.93	136.04	152.01	176.01	160.59	171.34
Nordic (128)	234.21	0.6	222.47	146.45	185.58	218.20	0.0	1.41	232.81	221.86	145.47	185.07	218.10	234.21	197.70	209.52
Pacific Basin (809)	152.51	0.9	144.87	95.37	120.84	99.81	0.9	1.22	151.16	144.05	94.45	120.16	98.98	176.86	145.93	161.06
Euro-Pacific (1529)	160.58	0.8	152.53	100.41	127.24	119.94	0.6	2.04	159.36	151.89	99.59	126.70	119.20	176.14	154.73	165.18
North America (616)	192.87	0.2	183.21	120.61	152.83	192.59	0.2	2.84	192.52	183.47	120.30	153.04	192.21	192.95	175.67	187.29
Europe Ex. UK (516)	154.96	0.5	147.19	96.90	122.78	131.98	0.2	2.44	154.16	146.92	96.33	122.55	131.67	158.12	144.12	150.48
Pacific Ex. Japan (325)	231.21	0.3	219.62	144.58	183.20	204.48	0.2	3.28	230.52	219.69	144.05	183.26	203.99	279.49	211.19	279.37
World Ex. US (1737)	160.99	0.7	152.92	100.67	127.56	122.95	0.6	2.06	159.87	152.36	99.90	127.09	122.25	176.65	153.42	167.01
World Ex. UK (2046)	169.41	0.5	160.93	105.94	134.24	141.07	0.5	2.16	168.57	160.65	105.33	134.00	140.44	178.59	163.46	170.86
World Ex. Japan (1766)	188.00	0.3	178.58	117.56	148.96	178.63	0.2	2.93	187.38	178.57	117.09	148.96	178.26	192.00	176.34	188.95
The World Index (2250)	171.81	0.5	163.20	107.44	136.14	145.15	0.4	2.35	170.93	162.89	106.81	135.88	144.52	180.90	165.92	173.85

Latest prices were unavailable for this edition.